



**CITY OF TEXARKANA**  
**CITY COUNCIL**  
**MINUTES • OCTOBER 9, 2023**

**Council Chambers****Regular Meeting****6:00 PM**

**220 TEXAS BLVD., TEXARKANA, TX 75501**

**I. CALL TO ORDER, ROLL CALL, ESTABLISHMENT OF QUORUM**

| Attendee Name   | Title  | Status  | Arrived |
|-----------------|--------|---------|---------|
| Bob Bruggeman   | Mayor  | Present |         |
| Jean H. Matlock | Ward 1 | Present |         |
| Mary Hart       | Ward 2 | Present |         |
| Betty Williams  | Ward 3 | Absent  |         |
| Christie Page   | Ward 4 | Present |         |
| Libby White     | Ward 5 | Present |         |
| Jay Davis       | Ward 6 | Present |         |

**City Staff:** City Manager David Orr, Jennifer Evans, Karey Parker, Mashell Daniel, Dusty Henslee, Robby Robertson, Lisa Thompson, Chris Black, Vashil Fernandez, and Brooke Stone.

**Municipal Court:** Judge Sherry Jackson Hawkins.

**Legal Counsel:** Jeff Lewis.

**II. INVOCATION AND PLEDGE LED BY MAYOR BOB BRUGGEMAN**

**III. EAST TEXAS AND WATER FLUORIDATION - BY DR. SANDRA SHAMBARGER**

Dr. Shambarger shared a presentation featuring research about the benefits and safety of community water fluoridation.

**IV. MAYOR'S REMARKS AND ITEMS OF COMMUNITY INTEREST**

**Upcoming City Council Meetings**

Monday, October 23, 2023 at 6:00 p.m.

Monday, November 13, 2023 at 6:00 p.m. (Only one meeting in November)

Monday, December 11, 2023 at 6:00 p.m. (Only one meeting in December)

**Intergovernmental Advisory Committee Meetings**

The IAC will meet on Thursday, October 12, 2023, at **1:00 p.m. for a workshop** to discuss maintenance items related to building materials and roof repair.

Also, on Thursday, October 12th, the IAC will meet at **2:30 p.m. for a special called meeting** to discuss building repairs.

Both meetings will be held in the Texarkana Arkansas Police Department Training Room, Bi-State Justice Center, 100 N. State Line Avenue, Texarkana, Arkansas.

### **Parks & Recreation Activities**

|                      |                                           |                    |
|----------------------|-------------------------------------------|--------------------|
| Oct 14 <sup>th</sup> | Community Yard Sale/Electronics Recycling | Spring Lake Park   |
| Oct 19 <sup>th</sup> | Spring Lake Park Fall Festival            | Spring Lake Park   |
| Oct 20 <sup>th</sup> | Downtown Bike Tour                        | Historic Buildings |

#### Movies in the Park

|                      |                       |                  |
|----------------------|-----------------------|------------------|
| Oct 12 <sup>th</sup> | “The Little Mermaid”  | Spring Lake Park |
| Oct 19 <sup>th</sup> | “The Addams Family 2” | Spring Lake Park |

**Movies will start at dusk and there will be concessions.**

Additional Parks & Recreation information can be found on the city’s website at <http://www.texarkanatexas.gov>

National Night Out was held on Tuesday, October 3rd. Across the city, residents enjoyed and participated in over 20 block parties. The Mayor was able to join quite a few of the groups.

He thanked all the staff who attended and supported various neighborhoods around the city for this year's event.

## **V. OPEN FORUM: COMMENTS FROM THE PUBLIC**

Per Council rules, comment time is limited to five minutes, or ten minutes if using a translator. Before comments are made, a speaker must complete an information sheet and give to the City Secretary. If your comment pertains to an agenda item with a scheduled public hearing or public comment, the Council requires that you make your comment at that time; you do not need to complete an information sheet.

Phyllis McGee, who lives near Spring Lake Park, expressed frustration about drainage issues when her duplex flooded from the heavy thunderstorm that occurred on Wednesday, October 4th.

## **VI. APPOINTMENTS TO BOARDS, COMMISSIONS, AND COMMITTEES**

Mayor Bruggeman said he was reappointing LaMoya Burks and Linda Larey to the Library Commission.

Motion to confirm Mayoral reappointments to the Library Commission.

(6:36 p.m.)

|                  |                                              |
|------------------|----------------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>                   |
| <b>MOVER:</b>    | Christie Page, Ward 4                        |
| <b>SECONDER:</b> | Jay Davis, Ward 6                            |
| <b>AYES:</b>     | Bruggeman, Matlock, Hart, Page, White, Davis |
| <b>ABSENT:</b>   | Williams                                     |

## VII. ITEMS FOR CONSIDERATION

### *Consent Items*

(6:36 p.m.)

|                  |                                              |
|------------------|----------------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>                   |
| <b>MOVER:</b>    | Mary Hart, Ward 2                            |
| <b>SECONDER:</b> | Libby White, Ward 5                          |
| <b>AYES:</b>     | Bruggeman, Matlock, Hart, Page, White, Davis |
| <b>ABSENT:</b>   | Williams                                     |

1. Consider approval of the minutes of the Regular Meeting of the City Council held on September 25, 2023 at 6:00 PM.
2. Ordinance No. 2023-132 amending budgeted revenues and expenditures for the fiscal year ending September 30, 2024 to appropriate additional funding in the general fund in the amount of Five Thousand Dollars (\$5,000) for donations received from Farmers Bank and Trust.

Public Hearing:

Council Vote: October 9, 2023

3. Resolution No. 2023-137 approving the application for the FY2023 Edward Byrne Justice Assistance Grant providing a total in the amount of \$16,370, with the City receiving \$9,822 and Bowie County, Texas, receiving \$6,548.

Public Hearing:

Council Vote: October 9, 2023

4. Resolution No. 2023-138 authorizing the City Manager to execute a one-time agreement with MTG Engineers & Surveyors of Texarkana, Texas, in an amount not to exceed \$203,750, with funds budgeted from the TIRZ #1 Fund (Fund 116), to supply the design, surveying, and drawings for the West Park Boulevard Reconstruction Project.

Public Hearing:

Council Vote: October 9, 2023

**Action Items**

[There were no action items to consider.]

**VIII. FIRST BRIEFINGS**

1. Resolution No. 2023-133 authorizing the City Manager to execute a memorandum of understanding with the City of Texarkana, Arkansas to apply for EPA Brownfields grant funds for Texarkana, USA.

Public Hearing: October 23, 2023  
Council Vote: October 23, 2023

Vashil Fernandez briefed this agenda item.

|                |                      |                                 |
|----------------|----------------------|---------------------------------|
| <b>RESULT:</b> | <b>MOVED FORWARD</b> | <b>Next: 10/23/2023 6:00 PM</b> |
|----------------|----------------------|---------------------------------|

**IX. PUBLIC HEARINGS**

1. Resolution No. 2023-117 authorizing the City Manager to execute a business incentive agreement with Sterno Group, LLC, for expansion of a local manufacturing business, and authorizing business incentives based upon job creation and salary level criteria in an amount not to exceed \$450,000.

Public Hearing: October 9, 2023  
Council Vote: October 9, 2023

There were no public comments made at this hearing.  
(6:41 p.m.)

|                  |                                              |
|------------------|----------------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>                   |
| <b>MOVER:</b>    | Jay Davis, Ward 6                            |
| <b>SECONDER:</b> | Mary Hart, Ward 2                            |
| <b>AYES:</b>     | Bruggeman, Matlock, Hart, Page, White, Davis |
| <b>ABSENT:</b>   | Williams                                     |

**X. CITY MANAGER'S REPORT****I-30 Construction Update from TXDOT**

Beginning nightly on October 9, 2023, a TxDOT contractor will be doing pavement repairs on the existing eastbound and westbound traffic lanes. This work requires restricting main lane traffic to one lane while work is performed. It is scheduled to be done primarily at night from 8:00 p.m. until 6:00 a.m. The work is estimated to take approximately four weeks.



Inclement weather or other unforeseen issues could cause delays or changes in the work schedule.

Motorists can check traffic updates by visiting TxDOT's [www.drivetexas.org](http://www.drivetexas.org) <<http://www.drivetexas.org>>.

**New Employee Health Benefit - Access to Texarkana College Fitness Center**

The City is pleased and excited to announce a new health benefit starting October 9<sup>th</sup> for all City employees. The City and Texarkana College have partnered to provide **free access** to the Pinkerton Health and Recreation Complex on the campus of Texarkana College.

**Reminders:** James Henry Russell STEM Complex - Dedication Ceremony and Ribbon Cutting, Tuesday, October 10th, 2023, 10am at the Texarkana College Campus.

Leadership Fall Party - Tuesday, October 10th, 2023, 5pm at Cafe Lucille, 306 Main Street, Texarkana, Texas.

**XI. ADMINISTRATIVE COMMENTS**

1. City Council

Council Member Davis thanked all the staff who came to his neighborhood hosting of National Night Out. It was well received. The fire truck that was there, surprisingly, received a call for service. The young ones really enjoyed seeing the fire truck speed away!

2. City Staff

Staff had no administrative comments for council.

**XII. ADJOURNMENT**

A motion was made to adjourn the meeting.  
(6:45 p.m.)

|                  |                                              |
|------------------|----------------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>                   |
| <b>MOVER:</b>    | Jean H. Matlock, Ward 1                      |
| <b>SECONDER:</b> | Christie Page, Ward 4                        |
| <b>AYES:</b>     | Bruggeman, Matlock, Hart, Page, White, Davis |
| <b>ABSENT:</b>   | Williams                                     |



Jennifer Evans  
City Secretary



Bob Bruggeman  
Mayor



**CITY OF TEXARKANA**  
**CITY COUNCIL**  
**MINUTES • SEPTEMBER 25, 2023**

**Council Chambers****Regular Meeting****6:00 PM**

**220 TEXAS BLVD., TEXARKANA, TX 75501**

**I. CALL TO ORDER, ROLL CALL, ESTABLISHMENT OF QUORUM**

| Attendee Name   | Title  | Status  | Arrived |
|-----------------|--------|---------|---------|
| Bob Bruggeman   | Mayor  | Present |         |
| Jean H. Matlock | Ward 1 | Present |         |
| Mary Hart       | Ward 2 | Present |         |
| Betty Williams  | Ward 3 | Absent  |         |
| Christie Page   | Ward 4 | Present |         |
| Libby White     | Ward 5 | Absent  |         |
| Jay Davis       | Ward 6 | Present |         |

**Staff Present:** City Manager David Orr, Vicky Coopwood, Kristin Peeples, Karey Parker, Dustin Henslee, J.W. Bramlett, Lisa Thompson, Brooke Stone, Chiquita Burks, Vashil Fernandez, and Gary Smith.

**Municipal Court:** Judge Sherry Jackson Hawkins.

**Legal Counsel:** Jeff Lewis.

**II. INVOCATION AND PLEDGE LED BY MAYOR BOB BRUGGEMAN**

**III. IN MEMORIAM "WILLIE JEWEL RAY" COUNCIL MEMBER FOR WARD 2**

Willie Jewel Ray represented her community (Ward 2) as a faithful member of the Texarkana City Council for twenty years. Her commitment to the City left a legacy of service. Mayor Bruggeman shared memories of Ms. Ray and her accomplishments while serving as a council member. On behalf of the city, a framed collage of photos from her years on the council was presented to her daughter Debra Rhodes. Many family members were in attendance for the presentation.

**IV. TEXARKANA YOUTH ADVISORY COUNCIL INDUCTION**

The Texarkana Youth Advisory Council gives youth a voice and a stake in their city government by providing city leaders a fresh viewpoint on issues challenging our city and providing energetic volunteers for civic projects. The 2023-2024 members are: Trinity Chase, Amber Ford, Langston Grice, Chloe Hill, Tucker Keeney, Zuri Muldrow, Hayden Phelps, Abigail Thrash, Raegan James-Welch, Elliot White, Hayden Wormington, and

Minutes Acceptance: Minutes of Sep 25, 2023 6:00 PM (Consent Items)

Christian Wright.

## V. KIWANIS CLUB OF TEXARKANA PROCLAMATION

A proclamation was presented to the Kiwanis Club of Texarkana congratulating the organization for one hundred years of extraordinary service to the children and disabled in our community. The Kiwanis Club of Texarkana was originally chartered on October 5, 1923. James Sylar, the current president, and Monty Murry, past president and currently the Lt. Governor of the Texas Oklahoma District of Kiwanis International, were presented the proclamation proclaiming October 5, 2023 as Kiwanis Club of Texarkana Day.

Kiwanis Club of Texarkana Day

|                |                     |
|----------------|---------------------|
| <b>RESULT:</b> | <b>CLOSE ACTION</b> |
|----------------|---------------------|

## VI. MAYOR'S REMARKS AND ITEMS OF COMMUNITY INTEREST

### Upcoming City Council Meetings

Monday, October 9, 2023 at 6:00 p.m.

Monday, October 23, 2023 at 6:00 p.m.

### Fall Clean-Up Day - September 30th

The community is invited to join the Keep Texarkana Beautiful (KTB) committee for Clean-Up Day on Saturday, September 30<sup>th</sup>, from 8:00 a.m. to 12:00 p.m. The focus this year includes neighborhoods in the Beverly, Rosehill, and New Town areas. Locations for collecting trash are:

1303 Milam St. (across from Rosehill Community Garden)

901 Lumpkin St. (Beverly Community Center)

3208 Lincoln Ave. (Bell Park in New Town)

As a reminder, items such as batteries, tires, paint, and large appliances like refrigerators and washing machines are not permitted in roll-off containers.

For more information, contact Vashil Fernandez at (903) 798.3904 or [vashil.fernandez@texarkanatexas.gov](mailto:vashil.fernandez@texarkanatexas.gov) <<mailto:vashil.fernandez@texarkanatexas.gov>>.

### Parks & Recreation Activities:

#### September Events

|                       |                           |                  |
|-----------------------|---------------------------|------------------|
| Sept 30 <sup>th</sup> | Alzheimer's Walk & 5K Run | Spring Lake Park |
|-----------------------|---------------------------|------------------|

#### October Events

|                     |                         |                            |
|---------------------|-------------------------|----------------------------|
| Oct 5 <sup>th</sup> | Dierksen Senior Day Out | Spring Lake Park           |
| Oct 6 <sup>th</sup> | Downtown Bike Tours     | Museum of Regional History |
| Oct 7 <sup>th</sup> | Cast for Kids           | Bringle Lake West          |

Additional Parks & Recreation information can be found on the city's website at <http://www.texarkanatexas.gov>

**VII. OPEN FORUM: COMMENTS FROM THE PUBLIC**

Per Council rules, comment time is limited to five minutes, or ten minutes if using a translator. Before comments are made, a speaker must complete an information sheet and give to the City Secretary. If your comment pertains to an agenda item with a scheduled public hearing or public comment, the Council requires that you make your comment at that time; you do not need to complete an information sheet.

There were no public comments made at Open Forum.

**VIII. APPOINTMENTS TO BOARDS, COMMISSIONS, AND COMMITTEES**

Council Member Christie Page recommended the reappointment of Willis Johnston and Steve Thompson to the Historic Land Preservation Committee.

Motion to confirm recommendations to the Boards, Commissions, and Committees.  
(6:25 p.m.)

|                  |                                       |
|------------------|---------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>            |
| <b>MOVER:</b>    | Jean H. Matlock, Ward 1               |
| <b>SECONDER:</b> | Jay Davis, Ward 6                     |
| <b>AYES:</b>     | Bruggeman, Matlock, Hart, Page, Davis |
| <b>ABSENT:</b>   | Williams, White                       |

**IX. ITEMS FOR CONSIDERATION*****Consent Items***

(6:28 p.m.)

|                  |                            |
|------------------|----------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b> |
| <b>MOVER:</b>    | Mary Hart, Ward 2          |
| <b>SECONDER:</b> | Christie Page, Ward 4      |
| <b>AYES:</b>     | Matlock, Hart, Page, Davis |
| <b>ABSENT:</b>   | Williams, White            |
| <b>EXCUSED:</b>  | Bruggeman                  |

1. Consider approval of the minutes of the Regular Meeting of the City Council held on September 11, 2023 at 6:00 PM.
2. Resolution No. 2023-127 authorizing the City Manager to execute a three-year contract with NeoGov for the renewal of human resources software in the amount of \$146,228.50 with budgeted funds within the computer hardware and software budget.

Public Hearing:

Council Vote: September 25, 2023

3. Resolution No. 2023-128 approving and authorizing the City Manager to execute the contract extension/renewal agreement between the City and Valley View Consulting, L.L.C. to provide professional investment advisory services for the City's investable funds for a period of two (2) years for an annual fee of 0.050% of average book value.

Public Hearing:

Council Vote: September 25, 2023

4. Resolution No. 2023-129 requesting approval of the Pictometry International Corp dba EagleView contract for digital aerial photography, in a total amount not to exceed \$459,955.80, with the Texas portion not to exceed \$42,000. This project is budgeted in the Utility's 2023-2024 technology fund.

Public Hearing:

Council Vote: September 25, 2023

5. Resolution No. 2023-130 authorizing the City Manager to execute a contract with Contech Contractors, Inc of Texarkana, Texas, for an amount not to exceed \$138,880.67, for the 4th & Main Street sidewalk project, with funds budgeted in the 2023 general fund.

Public Hearing:

Council Vote: September 25, 2023

6. Resolution No. 2023-131 authorizing the City Manager to execute a contract with Gibson Asphalt Construction Inc. of Wake Village, Texas, for the City's seal coat and 1" and 2' overlay paving services contract, with funds not to exceed budgeted funds in the FY24 major street maintenance fund (Fund 120), FY24 street maintenance general fund (Fund 101), and 2022 bond fund (Fund 425), to reconstruct city streets.

Public Hearing:

Council Vote: September 25, 2023

### ***Action Items***

[There were no Action Items considered at this meeting.]

## **X. FIRST BRIEFINGS**

1. Resolution No. 2023-117 authorizing the City Manager to execute a business incentive agreement with Sterno Group, LLC, for expansion of a local manufacturing business, and authorizing business incentives based upon job creation and salary level criteria in an amount not to exceed \$450,000.

Public Hearing: October 9, 2023  
Council Vote: October 9, 2023

Lisa Thompson briefed this agenda item.

|                |                      |                                |
|----------------|----------------------|--------------------------------|
| <b>RESULT:</b> | <b>MOVED FORWARD</b> | <b>Next: 10/9/2023 6:00 PM</b> |
|----------------|----------------------|--------------------------------|

## XI. PUBLIC HEARINGS

1. Ordinance No. 2023-124 amending the City's Traffic Register to establish maximum speed limits on certain sections of FM 2878 [Pleasant Grove Road].

Public Hearing: September 25, 2023  
Council Vote: September 25, 2023

There were no public comments made at this hearing.  
(6:35 p.m.)

|                  |                                       |
|------------------|---------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>            |
| <b>MOVER:</b>    | Christie Page, Ward 4                 |
| <b>SECONDER:</b> | Jay Davis, Ward 6                     |
| <b>AYES:</b>     | Bruggeman, Matlock, Hart, Page, Davis |
| <b>ABSENT:</b>   | Williams, White                       |

2. Resolution No. 2023-126 approving a collective bargaining agreement between the City of Texarkana, Texas, and the Local 367 (Texarkana, Texas Firefighters) of the International Association of Firefighters, for a three-year employment contract beginning October 1, 2023, and ending on September 30, 2026.

Public Hearing: September 25, 2023  
Council Vote: September 25, 2023

There were no public comments made at this hearing.  
(6:36 p.m.)

|                  |                                       |
|------------------|---------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>            |
| <b>MOVER:</b>    | Jay Davis, Ward 6                     |
| <b>SECONDER:</b> | Mary Hart, Ward 2                     |
| <b>AYES:</b>     | Bruggeman, Matlock, Hart, Page, Davis |
| <b>ABSENT:</b>   | Williams, White                       |

## XII. CITY MANAGER'S REPORT

### Migration to @texarkanatexas.gov Email Addresses

The process of migrating email addresses to [UserName@texarkanatexas.gov](mailto:UserName@texarkanatexas.gov) has begun and will continue until October 16th to align with the website conversion, [www.texarkanatexas.gov](http://www.texarkanatexas.gov). However, the public can still use [UserName@txkusa.org](mailto:UserName@txkusa.org) for an extended time.

### Fluoride Presentation

A proposal was discussed at the Riverbend Mayors meeting regarding fluoridation of the new water treatment plant. Scheduled public presentations will be held throughout the region. Dr. Sandra Shambarger will be at the October 9th City Council meeting to give a presentation on the proposal.

### Design Downtown Regional Art Contest Update

Submissions have started coming in for the Design Downtown Regional Art Contest and will be accepted through November 3rd. For more information on contest rules, guidelines, and previous sketches of downtown for inspiration, please visit our website at <https://texarkanatexas.gov/864/Design-Downtown-Regional-Art-Contest>.

## XIII. ADMINISTRATIVE COMMENTS

1. City Council  
Council had no administrative comments for staff.
2. City Staff  
Staff had no administrative comments for council.

## XIV. CLOSED SESSION

The City Council convened into closed session pursuant to Section 551.074 (Personnel Matters) of the Texas Government Code to discuss or deliberate the City Manager's annual evaluation, duties, and goals.

## XV. RECONVENED INTO OPEN SESSION

**XVI. ADJOURNMENT**

A motion was made to adjourn the meeting.  
(7:06 p.m.)

|                  |                                       |
|------------------|---------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>            |
| <b>MOVER:</b>    | Jay Davis, Ward 6                     |
| <b>SECONDER:</b> | Jean H. Matlock, Ward 1               |
| <b>AYES:</b>     | Bruggeman, Matlock, Hart, Page, Davis |
| <b>ABSENT:</b>   | Williams, White                       |



## City of Texarkana, Texas

## Briefing Sheet

Version: A

Update Date: 10/6/2023 8:30 AM

**Lead Department:** Finance Department      **Action Officer:** Kristin Peeples,  
Ordinance No. 2023-132 amending budgeted revenues and expenditures for the  
fiscal year ending September 30, 2024 to appropriate additional funding in the  
general fund in the amount of Five Thousand Dollars (\$5,000) for donations  
**Subject:** received from Farmers Bank and Trust.

**Briefing:** 10/9/2023      **Public Hearing:**      **Council Vote:** 10/9/2023

## Item Schedule

## Updates/History of Briefing:

Not Applicable

## Executive Summary and Background Information:

In September 2023 the City received a donation from Farmers Bank and Trust in the amount of five thousand dollars (\$5,000.00) for the annual employee appreciation luncheon. The donation was not included in the budget for the fiscal year ending September 30, 2024. The budget needs to be amended to allocate revenue and expenditures in the amount of \$5,000 in the General Fund.

## Potential Options:

- Approve
- Deny

## Fiscal Implications:

The donation will be used to offset the cost of the annual employee appreciation luncheon.

## Staff Recommendation:

Staff recommends approval.

## Advisory Board/Committee Review:

None

## Board/Committee Recommendation:

Not Applicable

## Advisory Board/Committee Meeting Date and Minutes:

Not Applicable

## Attachments

- a. 2023-132 ORD Amending General Fund Budget for Donation (DOC)

## City of Texarkana, Texas

- b. 2023-132 Goals & Perspectives (DOCX)
- c. 2023-132 ORD Amd. Budg. Donation signed (PDF)

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### Staff Coordination

|                    |                    |                        |           |            |
|--------------------|--------------------|------------------------|-----------|------------|
| Finance Department | Kristin Peebles    | Department Head Review | Completed |            |
|                    | 09/29/2023 9:07 AM |                        |           |            |
| Finance Department | Kristin Peebles    | Finance Review         | Completed | 09/29/2023 |
| 9:07 AM            |                    |                        |           |            |
| City Manager       | David Orr          | City Manager Review    | Completed | 09/29/2023 |
| 11:55 AM           |                    |                        |           |            |
| City Council       | Jennifer Evans     | Meeting                | Completed | 10/09/2023 |
| 6:00 PM            |                    |                        |           |            |

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### Meeting History

**ORDINANCE NO. 2023-132**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS, AMENDING BUDGET EXPENDITURES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2024, TO APPROPRIATE REVENUE AND EXPENDITURES IN THE GENERAL FUND IN THE AMOUNT OF FIVE THOUSAND DOLLARS (\$5,000) FOR DONATIONS RECEIVED FROM FARMERS BANK AND TRUST; AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, a donation in the amount of Five Thousand Dollars (\$5,000) was received from Farmers Bank and Trust for the employee appreciation luncheon; and

**WHEREAS**, these funds were not appropriated in the budget for the fiscal year ending September 30, 2024; and

**WHEREAS**, the budget for the fiscal year ending September 30, 2024 should be amended to appropriate revenue and expenditures of Five Thousand Dollars (\$5,000) in the general fund.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

**SECTION 1:** The budget estimate of the expenditures of the City of Texarkana, Texas, as prepared by the City Manager and appropriated by the City Council for the fiscal year beginning October 1, 2023, and ending September 30, 2024, be amended to reflect additional revenue and expenditures in the amount of Five Thousand Dollars (\$5,000) in the general fund.

**SECTION 2:** This Ordinance shall be in full force and effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the **9<sup>th</sup> day of October, 2023.**

ATTEST:

\_\_\_\_\_  
JENNIFER EVANS, CITY SECRETARY

\_\_\_\_\_  
BOB BRUGGEMAN, MAYOR

## City of Texarkana, Texas

## Developing Perspectives and Goals Pending Approval by the City Council:

| Perspectives         | Goals                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Serve the Community  | <input type="checkbox"/> Promote an Environmentally Sensitive & Livable Community<br><input type="checkbox"/> Provide a Safe Community<br><input type="checkbox"/> Deliver Quality Services<br><input type="checkbox"/> Foster a Healthy Community                                                                                                                                                                            |
| Run the Operations   | <input type="checkbox"/> Enhance Community Preparedness & Responsiveness<br><input checked="" type="checkbox"/> Maximize Partnership Opportunities<br><input type="checkbox"/> Provide Courteous & Responsive Customer Service<br><input checked="" type="checkbox"/> Model a Positive City Image<br><input type="checkbox"/> Deliver Efficient Services<br><input type="checkbox"/> Cultivate Community Involvement & Access |
| Manage the Resources | <input type="checkbox"/> Maintain Fiscal Strength<br><input checked="" type="checkbox"/> Maximize Utilization & Resources<br><input type="checkbox"/> Invest in Infrastructure & Transportation                                                                                                                                                                                                                               |
| Develop Personnel    | <input type="checkbox"/> Develop a Skilled & Diverse Workforce<br><input checked="" type="checkbox"/> Create a Positive & Rewarding Work Culture                                                                                                                                                                                                                                                                              |

## Perspectives and Goals Additional Comments:

NONE

## Resource Impact:

Staff time required if item is approved: Low

## Other Potential Impacts:

NONE APPLICABLE

## Public Information Plan:

|                                                                 |                                                               |
|-----------------------------------------------------------------|---------------------------------------------------------------|
| <input type="checkbox"/> Newspaper Notice (Required by Statute) | <input type="checkbox"/> Public Hearing (Required by Statute) |
| <input type="checkbox"/> Public Forum/Input Session             | <input type="checkbox"/> Press Release                        |
| <input type="checkbox"/> E-News Distribution                    | <input type="checkbox"/> Website Notice                       |
| <input type="checkbox"/> Social Media (Twitter, Facebook, etc.) | <input type="checkbox"/> Special Mailing                      |
| <input type="checkbox"/> Flyers Posted                          | <input type="checkbox"/> Banners Posted                       |
| <input type="checkbox"/> Survey                                 | <input type="checkbox"/> Automated Phone Call                 |
| <input checked="" type="checkbox"/> None Required               | <input type="checkbox"/>                                      |

Other:

**ORDINANCE NO. 2023-132**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS, AMENDING BUDGET EXPENDITURES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2024, TO APPROPRIATE REVENUE AND EXPENDITURES IN THE GENERAL FUND IN THE AMOUNT OF FIVE THOUSAND DOLLARS (\$5,000) FOR DONATIONS RECEIVED FROM FARMERS BANK AND TRUST; AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, a donation in the amount of Five Thousand Dollars (\$5,000) was received from Farmers Bank and Trust for the employee appreciation luncheon; and

**WHEREAS**, these funds were not appropriated in the budget for the fiscal year ending September 30, 2024; and

**WHEREAS**, the budget for the fiscal year ending September 30, 2024 should be amended to appropriate revenue and expenditures of Five Thousand Dollars (\$5,000) in the general fund.

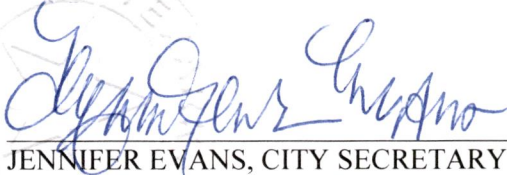
**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

**SECTION 1:** The budget estimate of the expenditures of the City of Texarkana, Texas, as prepared by the City Manager and appropriated by the City Council for the fiscal year beginning October 1, 2023, and ending September 30, 2024, be amended to reflect additional revenue and expenditures in the amount of Five Thousand Dollars (\$5,000) in the general fund.

**SECTION 2:** This Ordinance shall be in full force and effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the 9<sup>th</sup> day of October, 2023.

ATTEST:

  
JENNIFER EVANS, CITY SECRETARY

  
BOB BRUGGEMAN, MAYOR

6:36 p.m.

## City of Texarkana, Texas

## Briefing Sheet

Version:

Update Date: 10/5/2023 4:59 PM

**Lead Department:** Police **Action Officer:** Michael Henry, Captain  
Resolution No. 2023-137 approving the application for the FY2023 Edward  
**Subject:** Byrne Justice Assistance Grant providing a total in the amount of \$16,370, with  
the City receiving \$9,822 and Bowie County, Texas, receiving \$6,548.

**Briefing:** 10/9/2023 **Public Hearing:** **Council Vote:** 10/9/2023

## Item Schedule

Schedule 3: No briefing required (one week)

## Updates/History of Briefing:

NOT APPLICABLE

## Executive Summary and Background Information:

For consideration is the FY2023 Regular Local Solicitation for the Edward Byrne Justice Assistance Grant (JAG). The JAG is a pre-determined allocation, which based upon the amount, is shared with the Bowie County Sheriff's Office because of the city's federal designation as a disparate jurisdiction. The total funding for this round is \$16,370.00, which will be shared with BCSO. TTPD plans to utilize their portion of the funds (\$9,822.00) to purchase new headsets for the SWAT team handheld radios. The current radio headsets in use by the team are several years old and have become unreliable. A lack of reliable communication during a critical incident is not an option. The headsets must be replaced. Ten (10) Safariland Liberator communication headsets are estimated at \$982.20 each for a total of **\$9,822.00**.

## Potential Options:

- NONE
- 

## Fiscal Implications:

The City of Texarkana, Texas will not be required to furnish additional match funding to receive funds under the grant program.

## Staff Recommendation:

Approval of the application is recommended.

## Advisory Board/Committee Review:

NONE

## Board/Committee Recommendation:

NOT APPLICABLE

## City of Texarkana, Texas

### Advisory Board/Committee Meeting Date and Minutes:

NOT APPLICABLE

### Attachments

- a. 2023-137 RES Police JAG Grant (DOCX)
- b. 2023-137 ATTH 01 City of Texarkana Texas 2023 JAG Budget Narrative (PDF)
- c. 2023-137 ATTH 02 City of Texarkana 2023 JAG Proposal Narrative (PDF)
- d. 2023-137 Goals & Perspectives (DOCX)
- e. 2023-137 RES FY23 JAG signed (PDF)

### Staff Coordination

|                    |                    |                        |           |            |
|--------------------|--------------------|------------------------|-----------|------------|
| Police             | Michael Henry      | Department Head Review | Completed |            |
|                    | 10/05/2023 3:52 PM |                        |           |            |
| Police             | Jennifer Evans     | Supervisor Review      | Skipped   | 10/05/2023 |
| 4:43 PM            |                    |                        |           |            |
| Finance Department | Kristin Peeples    | Finance Review         | Completed | 10/06/2023 |
| 8:40 AM            |                    |                        |           |            |
| City Manager       | David Orr          | City Manager Review    | Completed | 10/06/2023 |
| 2:56 PM            |                    |                        |           |            |
| City Council       | Jennifer Evans     | Meeting                | Completed | 10/09/2023 |
| 6:00 PM            |                    |                        |           |            |

### Meeting History

## RESOLUTION NO. 2023-137

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS, APPROVING THE APPLICATION FOR THE EDWARD BYRNE JUSTICE ASSISTANCE GRANT PROVIDING A TOTAL GRANT IN THE AMOUNT OF SIXTEEN THOUSAND THREE HUNDRED SEVENTY DOLLARS (\$16,370), WHERE THE CITY OF TEXARKANA, TEXAS, WILL RECEIVE NINE THOUSAND EIGHT HUNDRED TWENTY-TWO DOLLARS (\$9,822) AND BOWIE COUNTY, TEXAS, WILL RECEIVE SIX THOUSAND FIVE HUNDRED FORTY-EIGHT DOLLARS (\$6,548); AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS,** the Office of Justice Programs of the United States Department of Justice has notified the City of Texarkana, Texas, as applicant and fiscal agent for available grant funds, that the City's application on behalf of the City and Bowie County, Texas, for funding under the FY2023 Edward Byrne Memorial Justice Assistance Grant in the amount of **\$16,370** to be shared with Bowie County, Texas, has been approved for the program and budget period ending September 30, 2025, subject to compliance with those conditions and limitations set out in the grant documents attached as "**ATTH 01**" and "**ATTH 02**"; and

**WHEREAS,** the Texarkana Texas Police Department's share of the funding will be used to purchase radio headsets for the SWAT team; and

**WHEREAS,** the City of Texarkana, Texas, will not be required to furnish additional match funding to receive funds under the grant program; and

**WHEREAS,** the City Council of the City of Texarkana, Texas, being informed of the nature and proposed use of said grant, does consider and find that the above-recommended uses and grant expenditures therefore are in the best interest of and will promote the health, safety and general welfare of the community.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

**SECTION 1:** That the above-described Edward Byrne Memorial Justice Assistance Grant in the amount of **\$16,370** to be shared by and between the City of Texarkana, Texas, and Bowie County, Texas, be and is hereby accepted.

**SECTION 2:** That the City Manager be and is hereby authorized to undertake the necessary steps and execute the necessary documents including the Grant Acceptance document required for formal acceptance of the Edward Byrne Memorial Justice Assistant Grant from the United States Department of Justice, Office of Justice Programs, providing a total grant in the amount of **\$16,370** to be divided between the City of Texarkana, Texas, and Bowie County, Texas, where the City of Texarkana, Texas, will receive **\$9,822** and Bowie County, Texas will receive **\$6,548**.



**SECTION 3:** That this Resolution shall be in full force and effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the **9<sup>th</sup> day of October, 2023.**

ATTEST:

\_\_\_\_\_  
JENNIFER EVANS, CITY SECRETARY

\_\_\_\_\_  
BOB BRUGGEMAN, MAYOR

**2023 Justice Assistance Grant  
City of Texarkana, Texas  
Bowie County, Texas  
GRANT 13961978**

**BUDGET NARRATIVE**

**City of Texarkana, Texas**

Under the *SWAT Communications* project, the JAG funds will be used to purchase ten tactical radio headsets for SWAT officers. The cost to purchase ten headsets is estimated to be \$982.20 each for a total of **\$9,822.00**.

The total cost of the project will be **\$9,822.00**.

**Bowie County, Texas**

Under the Bowie County Sheriff's Office *Courtroom and Jail Security through Non-Injury Technology* project, the JAG funds will be used to purchase one pair of Compliant Technologies Gloves estimated to be **\$1,346.00**. They will also purchase three E-Band Restrictors estimated at **\$1,734.00** each for a total of **\$5,202.00**.

The total cost of the project will be **\$6,548.00**.

**2023 Justice Assistance Grant  
City of Texarkana, Texas  
Bowie County, Texas  
GRANT 13961978**

**PROPOSAL NARRATIVE**

The City of Texarkana, Texas Police Department is applying for the FY2023 Edward Byrne Memorial Justice Assistance Grant (JAG) program to be used for the following purpose:

The **Texarkana, Texas Police Department** operates a 12 member SWAT team. The current radio headsets in use by the team are several years old and have become unreliable. A lack of reliable communication during a critical incident is not an option. The headsets must be replaced. There is no local funding either budgeted or anticipated for this acquisition. Ten (10) Safariland Liberator communication headsets are estimated at \$982.20 each for a total of **\$9,822.00**.

The **Bowie County Sheriff's Office** operates two jail facilities and is responsible for courtroom security in three District Courts as well as one County Court at Law. Combative subjects are a security concern for our jail as well as our County courtrooms. Technology is now available for us to gain compliance from a combative subject without causing injury. The Bowie County Sheriff's Office will purchase conductive de-escalation devices from Complaint Technologies. These devices are offered in the form of conductive gloves and E-Band Restrictors. The gloves are worn by jail staff and produce a non-injurious electrical current to gain compliance from a combative individual. The E-Band Restrictors are placed on the bicep or ankle and can be

remotely operated to gain compliance in a courtroom or transport setting. Both products are non-lethal and non-injury causing. Deputies, jailers, and courtroom personnel will also receive training from Complaint Technologies in the proper use and capabilities of their products.

There is no local funding either budgeted or anticipated for this acquisition.

One pair of Compliant Technologies Glove F2P (Yellow) is **\$1,346.00**. A set of three E-Band Restrictors Digital Multi Frequency EBA w/Remote is **\$5,202.00**.

The anticipated total for their project is **\$6,548.00**.

## City of Texarkana, Texas

## Developing Perspectives and Goals Pending Approval by the City Council:

| Perspectives         | Goals                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Serve the Community  | <input type="checkbox"/> Promote an Environmentally Sensitive & Livable Community<br><input checked="" type="checkbox"/> Provide a Safe Community<br><input checked="" type="checkbox"/> Deliver Quality Services<br><input type="checkbox"/> Foster a Healthy Community                                                                                                                                                      |
| Run the Operations   | <input checked="" type="checkbox"/> Enhance Community Preparedness & Responsiveness<br><input type="checkbox"/> Maximize Partnership Opportunities<br><input type="checkbox"/> Provide Courteous & Responsive Customer Service<br><input type="checkbox"/> Model a Positive City Image<br><input checked="" type="checkbox"/> Deliver Efficient Services<br><input type="checkbox"/> Cultivate Community Involvement & Access |
| Manage the Resources | <input checked="" type="checkbox"/> Maintain Fiscal Strength<br><input checked="" type="checkbox"/> Maximize Utilization & Resources<br><input type="checkbox"/> Invest in Infrastructure & Transportation                                                                                                                                                                                                                    |
| Develop Personnel    | <input checked="" type="checkbox"/> Develop a Skilled & Diverse Workforce<br><input type="checkbox"/> Create a Positive & Rewarding Work Culture                                                                                                                                                                                                                                                                              |

## Perspectives and Goals Additional Comments:

NONE

## Resource Impact:

Staff time required if item is approved: Medium

## Other Potential Impacts:

NONE APPLICABLE

## Public Information Plan:

|                                                                 |                                                                          |
|-----------------------------------------------------------------|--------------------------------------------------------------------------|
| <input type="checkbox"/> Newspaper Notice (Required by Statute) | <input checked="" type="checkbox"/> Public Hearing (Required by Statute) |
| <input type="checkbox"/> Public Forum/Input Session             | <input type="checkbox"/> Press Release                                   |
| <input type="checkbox"/> E-News Distribution                    | <input type="checkbox"/> Website Notice                                  |
| <input type="checkbox"/> Social Media (Twitter, Facebook, etc.) | <input type="checkbox"/> Special Mailing                                 |
| <input type="checkbox"/> Flyers Posted                          | <input type="checkbox"/> Banners Posted                                  |
| <input type="checkbox"/> Survey                                 | <input type="checkbox"/> Automated Phone Call                            |
| <input type="checkbox"/> None Required                          | <input type="checkbox"/>                                                 |

Other:

**RESOLUTION NO. 2023-137**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS, APPROVING THE APPLICATION FOR THE EDWARD BYRNE JUSTICE ASSISTANCE GRANT PROVIDING A TOTAL GRANT IN THE AMOUNT OF SIXTEEN THOUSAND THREE HUNDRED SEVENTY DOLLARS (\$16,370), WHERE THE CITY OF TEXARKANA, TEXAS, WILL RECEIVE NINE THOUSAND EIGHT HUNDRED TWENTY-TWO DOLLARS (\$9,822) AND BOWIE COUNTY, TEXAS, WILL RECEIVE SIX THOUSAND FIVE HUNDRED FORTY-EIGHT DOLLARS (\$6,548); AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS,** the Office of Justice Programs of the United States Department of Justice has notified the City of Texarkana, Texas, as applicant and fiscal agent for available grant funds, that the City's application on behalf of the City and Bowie County, Texas, for funding under the FY2023 Edward Byrne Memorial Justice Assistance Grant in the amount of **\$16,370** to be shared with Bowie County, Texas, has been approved for the program and budget period ending September 30, 2025, subject to compliance with those conditions and limitations set out in the grant documents attached as "ATTH 01" and "ATTH 02"; and

**WHEREAS,** the Texarkana Texas Police Department's share of the funding will be used to purchase radio headsets for the SWAT team; and

**WHEREAS,** the City of Texarkana, Texas, will not be required to furnish additional match funding to receive funds under the grant program; and

**WHEREAS,** the City Council of the City of Texarkana, Texas, being informed of the nature and proposed use of said grant, does consider and find that the above-recommended uses and grant expenditures therefore are in the best interest of and will promote the health, safety and general welfare of the community.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

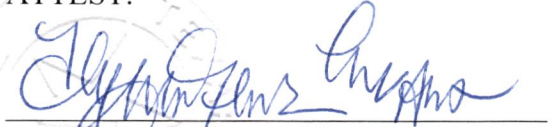
**SECTION 1:** That the above-described Edward Byrne Memorial Justice Assistance Grant in the amount of **\$16,370** to be shared by and between the City of Texarkana, Texas, and Bowie County, Texas, be and is hereby accepted.

**SECTION 2:** That the City Manager be and is hereby authorized to undertake the necessary steps and execute the necessary documents including the Grant Acceptance document required for formal acceptance of the Edward Byrne Memorial Justice Assistant Grant from the United States Department of Justice, Office of Justice Programs, providing a total grant in the amount of **\$16,370** to be divided between the City of Texarkana, Texas, and Bowie County, Texas, where the City of Texarkana, Texas, will receive **\$9,822** and Bowie County, Texas will receive **\$6,548**.

**SECTION 3:** That this Resolution shall be in full force and effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the **9<sup>th</sup> day of October, 2023.**

ATTEST:

  
JENNIFER EVANS, CITY SECRETARY  
BOB BRUGGEMAN, MAYOR

6:36 p.m.

**2023 Justice Assistance Grant  
City of Texarkana, Texas  
Bowie County, Texas  
GRANT 13961978**

**BUDGET NARRATIVE**

**City of Texarkana, Texas**

Under the *SWAT Communications* project, the JAG funds will be used to purchase ten tactical radio headsets for SWAT officers. The cost to purchase ten headsets is estimated to be \$982.20 each for a total of **\$9,822.00**.

The total cost of the project will be **\$9,822.00**.

**Bowie County, Texas**

Under the Bowie County Sheriff's Office *Courtroom and Jail Security through Non-Injury Technology* project, the JAG funds will be used to purchase one pair of Compliant Technologies Gloves estimated to be **\$1,346.00**. They will also purchase three E-Band Restrictors estimated at **\$1,734.00** each for a total of **\$5,202.00**.

The total cost of the project will be **\$6,548.00**.



**2023 Justice Assistance Grant  
City of Texarkana, Texas  
Bowie County, Texas  
GRANT 13961978**

**PROPOSAL NARRATIVE**

The City of Texarkana, Texas Police Department is applying for the FY2023 Edward Byrne Memorial Justice Assistance Grant (JAG) program to be used for the following purpose:

The **Texarkana, Texas Police Department** operates a 12 member SWAT team. The current radio headsets in use by the team are several years old and have become unreliable. A lack of reliable communication during a critical incident is not an option. The headsets must be replaced. There is no local funding either budgeted or anticipated for this acquisition. Ten (10) Safariland Liberator communication headsets are estimated at \$982.20 each for a total of **\$9,822.00**.

The **Bowie County Sheriff's Office** operates two jail facilities and is responsible for courtroom security in three District Courts as well as one County Court at Law. Combative subjects are a security concern for our jail as well as our County courtrooms. Technology is now available for us to gain compliance from a combative subject without causing injury. The Bowie County Sheriff's Office will purchase conductive de-escalation devices from Complaint Technologies. These devices are offered in the form of conductive gloves and E-Band Restrictors. The gloves are worn by jail staff and produce a non-injurious electrical current to gain compliance from a combative individual. The E-Band Restrictors are placed on the bicep or ankle and can be

remotely operated to gain compliance in a courtroom or transport setting. Both products are non-lethal and non-injury causing. Deputies, jailers, and courtroom personnel will also receive training from Complaint Technologies in the proper use and capabilities of their products.

There is no local funding either budgeted or anticipated for this acquisition.

One pair of Compliant Technologies Glove F2P (Yellow) is **\$1,346.00**. A set of three E-Band Restrictors Digital Multi Frequency EBA w/Remote is **\$5,202.00**.

The anticipated total for their project is **\$6,548.00**.

## City of Texarkana, Texas

Version: A

Update Date: 10/6/2023 8:32 AM

## Briefing Sheet

**Lead Department:** Public Works Department    **Action Officer:** Jonathan Wade,  
Resolution No. 2023-138 authorizing the City Manager to execute a one-time  
agreement with MTG Engineers & Surveyors of Texarkana, Texas, in an  
amount not to exceed \$203,750, with funds budgeted from the TIRZ #1 Fund  
(Fund 116), to supply the design, surveying, and drawings for the West Park  
**Subject:** Boulevard Reconstruction Project.

**Briefing:** 10/9/2023      **Public Hearing:**      **Council Vote:** 10/9/2023

### Item Schedule

Schedule 3: No briefing required (one week)

### Updates/History of Briefing:

NOT APPLICABLE

### Executive Summary and Background Information:

Date of Request for Qualifications (RFQ 23-1901-08) posted on website: August 28, 2023  
 Dates published in Texarkana Gazette: August 27, 2023 and September 3, 2023  
 Opened Bids: September 12, 2023  
 Proposals Received: MTG Engineering & Surveying and EST Inc.  
 Most Responsible Bidder: MTG Engineers and Surveyors. See ATTH 01 for the Contract Proposal  
 Budget: TIRZ #1 Fund  
 Policy Exceptions: None  
 Scope of Work: Design, Surveying, and Drawings for West Park Blvd. Reconstruction Project.

Total Contract pricing is \$203,750

### Potential Options:

- Approve Contract
- Not Approve Contract

### Fiscal Implications:

Expenses will be paid from the TIRZ #1 Fund (Fund 116).

### Staff Recommendation:

Staff recommends approval

### Advisory Board/Committee Review:

NONE

## City of Texarkana, Texas

### Board/Committee Recommendation:

NOT APPLICABLE

### Advisory Board/Committee Meeting Date and Minutes:

NOT APPLICABLE

### Attachments

- a. 2023-138 RES Engineering Services for West Park Boulevard Reconstruction Project (DOCX)
- b. 2023-138 ATTH 01 MTG Proposal (PDF)
- c. 2023-138 Goals & Perspectives (DOCX)
- d. 2023-138 RES Eng. Svcs W Park Blvd Reconstr. signed (PDF)

### Staff Coordination

|                         |                 |                     |            |
|-------------------------|-----------------|---------------------|------------|
| Public Works Department | Angela Humphrey | Review              | Completed  |
| 10/04/2023 2:23 PM      |                 |                     |            |
| Finance Department      | Kristin Peebles | Finance Review      | Completed  |
| 2:36 PM                 |                 |                     | 10/04/2023 |
| City Manager            | David Orr       | City Manager Review | Completed  |
| 8:00 AM                 |                 |                     | 10/06/2023 |
| City Council            | Jennifer Evans  | Meeting             | Completed  |
| 6:00 PM                 |                 |                     | 10/09/2023 |

### Meeting History

**RESOLUTION NO. 2023-138**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS, AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH MTG ENGINEERS & SURVEYORS OF TEXARKANA, TEXAS, IN AN AMOUNT NOT TO EXCEED TWO HUNDRED THREE THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$203,750), TO BE PAID FROM THE TIRZ #1 FUND (FUND 116); AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, the reconstruction of West Park Boulevard is a project on the City's TIRZ #1 project list; and

**WHEREAS**, the reconstruction of West Park Boulevard will need surveying and engineering services to perform this project; and

**WHEREAS**, these services are considered as "Professional Services" and MTG Engineers & Surveyors, of Texarkana, Texas, submitted a proposal attached hereto as **ATTH 01**; and

**WHEREAS**, funds are available through the TIRZ #1 Fund (Fund 116).

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

**SECTION 1:** The most responsible proposal for the West Park Boulevard Reconstruction Project for the City is hereby declared to be MTG Engineers & Surveyors, of Texarkana, Texas.

**SECTION 2:** The City Manager be and is hereby authorized to execute an agreement with MTG Engineers & Surveyors, of Texarkana, Texas.

**SECTION 3:** This Resolution shall be in full force and in effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the **9<sup>th</sup> day of October, 2023.**

ATTEST:

\_\_\_\_\_  
JENNIFER EVANS, CITY SECRETARY

\_\_\_\_\_  
BOB BRUGGEMAN, MAYOR

September 29, 2023

**Mr. Dustin Henslee, Assistant City Manager**  
**City of Texarkana, TX**  
**200 Texas Boulevard**  
**Texarkana, TX 75501**



5930 Summerhill Road 903.838.8533 telephone  
 Texarkana, TX 75503 903.832.4700 facsimile

Sent via email: [dustin.henslee@txkusa.org](mailto:dustin.henslee@txkusa.org)

Re: *West Park Boulevard Reconstruction*

Dear Mr. Henslee:

**MTG Engineers & Surveyors, Inc. (MTG)** is pleased to submit this proposal to you to provide the engineering design, construction documents and studies related to the reconstruction of West Park Boulevard.

### Scope of Services

#### **Surveying:**

MTG will provide a topographic survey of the West Park Boulevard Project Area as shown in Figure 1. This will show utilities provided by a marked one-call and any that are visible on the ground. Additionally, this will provide property locations and any known or found easements. These easements should include utility easements by plat, SWEPCO easements by instrument, and a lease agreement for billboard.



Figure 1

#### **Geotechnical Engineering:**

MTG will team with ETTL Engineers for geotechnical testing for pavement design and cores/borings. MTG will work with them to provide the needed traffic projections for pavement design. Care will be used for pavement sections to facilitate the phasing of construction. MTG assumes that the city will be available for help with any traffic control that might be needed during the coring of existing material.

#### **Traffic Analysis:**

MTG will team with Peters and Associates for a traffic analysis of the project area, including traffic counts and level of service calculations. We will also use Wadley Hospital Design Plans for Phase 1, with a full build-out scenario for determination of the need for right turn lanes at their driveways.



A level of service analysis will also be performed on the intersection of West Park Boulevard and University Avenue. This analysis would identify any recommendations for improvements today, as well as look at potential recommended improvements based on future traffic projections. These improvements might include signalization, acceleration/deceleration lanes, and capacity improvements. Design of these improvements is not included in this proposal but can be added once a scope is determined.

### ***Right-of-Way Acquisition***

The goal for the reconstruction of the roadway would be to smooth out the curve between Gus Orr Drive and West Park Boulevard. It is anticipated that right-of-way from MPT of Texarkana-Steward LLC (Wadley) and ArkLaTex Real Estate LP, (Keith Orr) would be required for this smoother transition. MTG will work with all owners to provide the right-of-way needed for this project, then prepare the legal documents for right-of-way dedication and recording.

### ***Reconstruction Documents:***

MTG will utilize the data above as a basis for road design. The road design will be to reconstruct the existing 37' back-to-back concrete roadway, existing driveways along the road to the right of way, and Wadley's proposed driveways with right turn lanes, if warranted. Additionally, the road will have sidewalk along both sides of the roadway with consideration to avoid existing utilities and light poles.

It is anticipated that some utility relocation might be necessary at the transition to Gus Orr Drive and West Park Boulevard. MTG will show the best available information from design plans and 811 markings to coordinate these relocations with affected utility owners.

MTG will analyze the culvert under West Park Boulevard to see how it aligns with the current drainage ordinance. If additional upsizing is required, MTG will discuss with the City on how to address the findings. Additionally, drainage modifications might be needed at the connection to Gus Orr Drive.

Design plans will include signage and striping plan, as well as anticipated construction phasing plan. Traffic control will be based upon TxDOT standard details, as well as project-specific phasing details and maps.

MTG will also coordinate and provide any required permitting with TxDOT for the connection to Gus Orr Drive with West Park Boulevard.

### ***Right Turn Lanes:***

Should right turn lanes be warranted for Wadley Hospital driveways, those turn lanes will be included in the construction documents with West Park Boulevard Reconstruction. Some locations will require utility and drainage relocations with the addition of another lane. Those relocations would be included in the construction drawings. This is listed as a separate line item due to the uncertainty of whether or not these locations warrant right turn lane(s).

**Utility Relocations**

*Due to the unknown widening for right-turn lanes, and the connection of West Park to Gus Orr Boulevard, there is a potential for utility relocations inside right-of-way and easements. MTG has broken these fees down below with coordination with franchise utilities, easement preparation, and existing easement modifications.*

**Bid Support:**

MTG will provide an engineer's opinion of probable cost, technical specifications, and itemized quantities for bidding to the City, along with coordination to complete the bidding and contract documents. MTG will provide support during the bidding process to answer RFI's, issue addenda, and clarifications as needed. MTG will attend the pre-bid meeting and bid opening and provide any support needed for bid tabulations, contractor evaluation and council attendance.

**Construction Support:**

MTG understands that, although the City plans to provide their own inspection and construction management of the project, there are still times where the engineer of record is needed to answer questions due to unknown or changing conditions in the field. MTG shows an hourly allotment of construction support and will keep up with all time spent. We will assume a maximum and notify the City if that maximum is close to being reached or if additional funds are needed. We are available and happy to support the City as much as needed during construction.

**Exclusions**

The following items are not a part of this proposal but are services that can be provided by MTG, if desired. The scope of these services is traditionally difficult to define and MTG suggests that they be performed on a time and materials basis following our standard rate schedule. Some of these items are:

- Environmental Assessments,
- Material Testing,
- Utility Subsurface Engineering,
- Resident Inspection,
- Construction Surveying or Staking, and
- As-Built Survey.

**Schedule**

Once authorized, it is anticipated that the topographic design survey, traffic study and geotechnical investigation are approximately 6-8 weeks out. MTG can provide an updated schedule upon verification from all teams; however, we will work with the City to ensure that the design is completed for the anticipated completion of the street in Summer of 2025.



### Compensation

MTG proposes to provide the services described above per the following line items. Please note, any changes made after surveying and drainage study are completed will be subject to an hourly rate shown in Appendix 1 attached hereto.

|                               |             |
|-------------------------------|-------------|
| Surveying.....                | \$ 7,500.00 |
| Geotechnical Engineering..... | \$ 7,500.00 |
| Traffic Analysis.....         | \$15,000.00 |
| Right-of-Way Acquisition..... | \$11,750.00 |

### Reconstruction Documents

- Schematic Design..... \$ 22,500.00
- 60% Construction Documents..... \$ 35,000.00
- 100% Construction Documents..... \$ 35,000.00
- SWPPP..... \$ 2,000.00
- Drainage Analysis and Checklist..... \$ 4,500.00
- TxDot Coordination..... \$ 2,500.00
- Franchise Utility Coordination..... \$ 5,000.00

Bid Support..... \$ 5,500.00

Construction Support..... \$15,000.00

**Total:..... \$168,750.00**

### Additional Items (if Traffic Study and City warrants)

#### Right Turn Lanes

- *West Park Boulevard Right Turn Lanes (Each)*
  - Survey..... \$ 2,500.00
  - Design..... \$ 2,500.00
  - Utility Relocations..... \$ 2,500.00
  - ROW & Easement Coordination..... \$ 2,500.00
- *University Avenue Right Turn Lane*
  - Survey..... \$ 2,500.00
  - Design..... \$ 5,000.00
  - Utility Relocations..... \$ 2,500.00
  - ROW & Easement Coordination..... \$ 2,500.00
- *Gibson Lane Right Turn Lane*
  - Survey..... \$ 2,500.00
  - Design..... \$ 5,000.00
  - Utility Relocations..... \$ 2,500.00
  - ROW & Easement Coordination..... \$ 2,500.00

**SUMMARY**

This proposal, unless otherwise noted, constitutes our understanding of the services to be provided by MTG on the project described above. This proposal is offered for a period of sixty (60) days, after which, if it has not been executed, said proposal will no longer be valid. MTG is pleased to have the opportunity to submit this proposal and we look forward to the possibility of working with you on this project.

If this proposal is acceptable to you as presented, please execute the Authorization below and return one original copy to our office. If you have any questions or would like any additional information, please do not hesitate to call us at your convenience.

Sincerely,



Kayla Wood  
President

**AUTHORIZATION TO PROCEED:**

I have read this proposal in its entirety and agree to all its terms and conditions.

ACCEPTED BY:

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature  
Typed Name: \_\_\_\_\_  
Phone No.: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

## APPENDIX 1

|  |      | <b>MTG Engineers &amp; Surveyors</b><br><b>Civil***Environmental***Surveying</b><br><b>2023 Hourly Rate Schedule</b> |       |           |
|-----------------------------------------------------------------------------------|------|----------------------------------------------------------------------------------------------------------------------|-------|-----------|
| CATEGORY                                                                          | CODE | SERVICE DESCRIPTION/CLASSIFICATION                                                                                   | UNITS | RATE      |
| ENGINEERS                                                                         | PE1  | SENIOR PRINCIPAL ENGINEER                                                                                            | HOURL | \$ 245.00 |
|                                                                                   | PE2  | PRINCIPAL ENGINEER                                                                                                   | HOURL | \$ 200.00 |
|                                                                                   | PE3  | PROJECT ENGINEER                                                                                                     | HOURL | \$ 150.00 |
|                                                                                   | EIT  | ENGINEER-IN-TRAINING                                                                                                 | HOURL | \$ 110.00 |
|                                                                                   | DT   | DESIGN TECHNICIAN                                                                                                    | HOURL | \$ 85.00  |
| SURVEY                                                                            | LS1  | SENIOR REGISTERED PUBLIC LAND SURVEYOR                                                                               | HOURL | \$ 200.00 |
|                                                                                   | LS2  | REGISTERED PUBLIC LAND SURVEYOR                                                                                      | HOURL | \$ 125.00 |
|                                                                                   | ST   | SURVEY TECHNICIAN                                                                                                    | HOURL | \$ 85.00  |
|                                                                                   | SC   | SURVEY CREW *                                                                                                        | HOURL | \$ 165.00 |
|                                                                                   | SD   | LIDAR SURVEY DRONE (DATA PROCESSING EXTRA)                                                                           | HOURL | \$ 300.00 |
| PLANNERS & TECHNICIANS                                                            | UP   | LAND PLANNER                                                                                                         | HOURL | \$ 100.00 |
|                                                                                   | GT   | GIS TECHNICIAN                                                                                                       | HOURL | \$ 100.00 |
|                                                                                   | CT   | CAD TECHNICIAN                                                                                                       | HOURL | \$ 70.00  |
| OFFICE                                                                            | AP   | ADMINISTRATIVE PROFESSIONAL                                                                                          | HOURL | \$ 75.00  |

## City of Texarkana, Texas

## Developing Perspectives and Goals Pending Approval by the City Council:

| Perspectives         | Goals                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Serve the Community  | <input checked="" type="checkbox"/> Promote an Environmentally Sensitive & Livable Community<br><input checked="" type="checkbox"/> Provide a Safe Community<br><input checked="" type="checkbox"/> Deliver Quality Services<br><input checked="" type="checkbox"/> Foster a Healthy Community                                                                                                                                                                            |
| Run the Operations   | <input checked="" type="checkbox"/> Enhance Community Preparedness & Responsiveness<br><input checked="" type="checkbox"/> Maximize Partnership Opportunities<br><input checked="" type="checkbox"/> Provide Courteous & Responsive Customer Service<br><input checked="" type="checkbox"/> Model a Positive City Image<br><input checked="" type="checkbox"/> Deliver Efficient Services<br><input checked="" type="checkbox"/> Cultivate Community Involvement & Access |
| Manage the Resources | <input checked="" type="checkbox"/> Maintain Fiscal Strength<br><input checked="" type="checkbox"/> Maximize Utilization & Resources<br><input checked="" type="checkbox"/> Invest in Infrastructure & Transportation                                                                                                                                                                                                                                                     |
| Develop Personnel    | <input type="checkbox"/> Develop a Skilled & Diverse Workforce<br><input type="checkbox"/> Create a Positive & Rewarding Work Culture                                                                                                                                                                                                                                                                                                                                     |

## Perspectives and Goals Additional Comments:

NONE

## Resource Impact:

Staff time required if item is approved: Low

## Other Potential Impacts:

NONE APPLICABLE

## Public Information Plan:

|                                                                 |                                                               |
|-----------------------------------------------------------------|---------------------------------------------------------------|
| <input type="checkbox"/> Newspaper Notice (Required by Statute) | <input type="checkbox"/> Public Hearing (Required by Statute) |
| <input type="checkbox"/> Public Forum/Input Session             | <input type="checkbox"/> Press Release                        |
| <input type="checkbox"/> E-News Distribution                    | <input type="checkbox"/> Website Notice                       |
| <input type="checkbox"/> Social Media (Twitter, Facebook, etc.) | <input type="checkbox"/> Special Mailing                      |
| <input type="checkbox"/> Flyers Posted                          | <input type="checkbox"/> Banners Posted                       |
| <input type="checkbox"/> Survey                                 | <input type="checkbox"/> Automated Phone Call                 |
| <input checked="" type="checkbox"/> None Required               | <input type="checkbox"/>                                      |

Other:

**RESOLUTION NO. 2023-138**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS, AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH MTG ENGINEERS & SURVEYORS OF TEXARKANA, TEXAS, IN AN AMOUNT NOT TO EXCEED TWO HUNDRED THREE THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$203,750), TO BE PAID FROM THE TIRZ #1 FUND (FUND 116); AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, the reconstruction of West Park Boulevard is a project on the City's TIRZ #1 project list; and

**WHEREAS**, the reconstruction of West Park Boulevard will need surveying and engineering services to perform this project; and

**WHEREAS**, these services are considered as "Professional Services" and MTG Engineers & Surveyors, of Texarkana, Texas, submitted a proposal attached hereto as **ATTH 01**; and

**WHEREAS**, funds are available through the TIRZ #1 Fund (Fund 116).

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

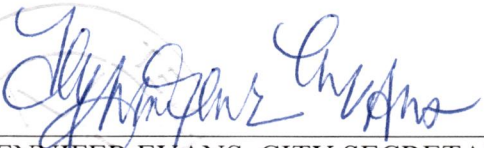
**SECTION 1:** The most responsible proposal for the West Park Boulevard Reconstruction Project for the City is hereby declared to be MTG Engineers & Surveyors, of Texarkana, Texas.

**SECTION 2:** The City Manager be and is hereby authorized to execute an agreement with MTG Engineers & Surveyors, of Texarkana, Texas.

**SECTION 3:** This Resolution shall be in full force and in effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the **9<sup>th</sup> day of October, 2023**.

ATTEST:

  
JENNIFER EVANS, CITY SECRETARY

  
BOB BRUGGEMAN, MAYOR

6:36 p.m.



September 29, 2023

**Mr. Dustin Henslee, Assistant City Manager  
City of Texarkana, TX  
200 Texas Boulevard  
Texarkana, TX 75501**

# MTG

## ENGINEERS & SURVEYORS

5930 Summerhill Road 903.838.8533 telephone  
Texarkana, TX 75503 903.832.4700 facsimile

Sent via email: [dustin.henslee@txkusa.org](mailto:dustin.henslee@txkusa.org)

Re: *West Park Boulevard Reconstruction*

Dear Mr. Henslee:

**MTG Engineers & Surveyors, Inc. (MTG)** is pleased to submit this proposal to you to provide the engineering design, construction documents and studies related to the reconstruction of West Park Boulevard.

### Scope of Services

#### **Surveying:**

MTG will provide a topographic survey of the West Park Boulevard Project Area as shown in Figure 1. This will show utilities provided by a marked one-call and any that are visible on the ground. Additionally, this will provide property locations and any known or found easements. These easements should include utility easements by plat, SWEPCO easements by instrument, and a lease agreement for billboard.

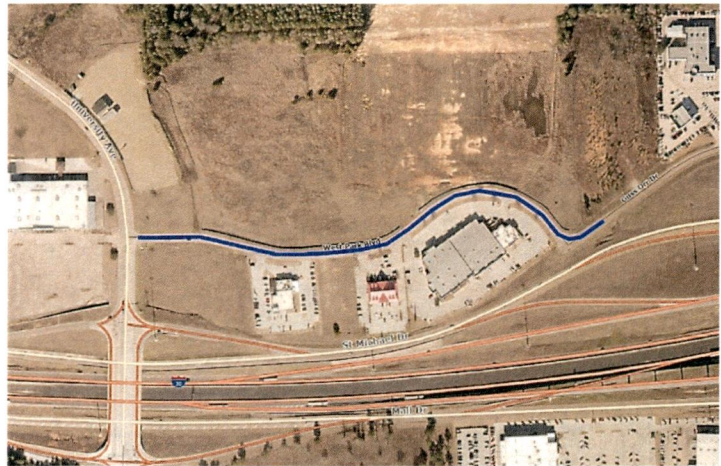


Figure 1

#### **Geotechnical Engineering:**

MTG will team with ETTL Engineers for geotechnical testing for pavement design and cores/borings. MTG will work with them to provide the needed traffic projections for pavement design. Care will be used for pavement sections to facilitate the phasing of construction. MTG assumes that the city will be available for help with any traffic control that might be needed during the coring of existing material.

#### **Traffic Analysis:**

MTG will team with Peters and Associates for a traffic analysis of the project area, including traffic counts and level of service calculations. We will also use Wadley Hospital Design Plans for Phase 1, with a full build-out scenario for determination of the need for right turn lanes at their driveways.



A level of service analysis will also be performed on the intersection of West Park Boulevard and University Avenue. This analysis would identify any recommendations for improvements today, as well as look at potential recommended improvements based on future traffic projections. These improvements might include signalization, acceleration/deceleration lanes, and capacity improvements. Design of these improvements is not included in this proposal but can be added once a scope is determined.

### ***Right-of-Way Acquisition***

The goal for the reconstruction of the roadway would be to smooth out the curve between Gus Orr Drive and West Park Boulevard. It is anticipated that right-of-way from MPT of Texarkana-Steward LLC (Wadley) and ArkLaTex Real Estate LP, (Keith Orr) would be required for this smoother transition. MTG will work with all owners to provide the right-of-way needed for this project, then prepare the legal documents for right-of-way dedication and recording.

### ***Reconstruction Documents:***

MTG will utilize the data above as a basis for road design. The road design will be to reconstruct the existing 37' back-to-back concrete roadway, existing driveways along the road to the right of way, and Wadley's proposed driveways with right turn lanes, if warranted. Additionally, the road will have sidewalk along both sides of the roadway with consideration to avoid existing utilities and light poles.

It is anticipated that some utility relocation might be necessary at the transition to Gus Orr Drive and West Park Boulevard. MTG will show the best available information from design plans and 811 markings to coordinate these relocations with affected utility owners.

MTG will analyze the culvert under West Park Boulevard to see how it aligns with the current drainage ordinance. If additional upsizing is required, MTG will discuss with the City on how to address the findings. Additionally, drainage modifications might be needed at the connection to Gus Orr Drive.

Design plans will include signage and striping plan, as well as anticipated construction phasing plan. Traffic control will be based upon TxDOT standard details, as well as project-specific phasing details and maps.

MTG will also coordinate and provide any required permitting with TxDOT for the connection to Gus Orr Drive with West Park Boulevard.

### ***Right Turn Lanes:***

Should right turn lanes be warranted for Wadley Hospital driveways, those turn lanes will be included in the construction documents with West Park Boulevard Reconstruction. Some locations will require utility and drainage relocations with the addition of another lane. Those relocations would be included in the construction drawings. This is listed as a separate line item due to the uncertainty of whether or not these locations warrant right turn lane(s).

**2023-138 ATTH 01**

September 29, 2023  
West Park Boulevard Reconstruction  
Texarkana, TX  
Page 3

**Utility Relocations**

*Due to the unknown widening for right-turn lanes, and the connection of West Park to Gus Orr Boulevard, there is a potential for utility relocations inside right-of-way and easements. MTG has broken these fees down below with coordination with franchise utilities, easement preparation, and existing easement modifications.*

**Bid Support:**

MTG will provide an engineer's opinion of probable cost, technical specifications, and itemized quantities for bidding to the City, along with coordination to complete the bidding and contract documents. MTG will provide support during the bidding process to answer RFI's, issue addenda, and clarifications as needed. MTG will attend the pre-bid meeting and bid opening and provide any support needed for bid tabulations, contractor evaluation and council attendance.

**Construction Support:**

MTG understands that, although the City plans to provide their own inspection and construction management of the project, there are still times where the engineer of record is needed to answer questions due to unknown or changing conditions in the field. MTG shows an hourly allotment of construction support and will keep up with all time spent. We will assume a maximum and notify the City if that maximum is close to being reached or if additional funds are needed. We are available and happy to support the City as much as needed during construction.

**Exclusions**

The following items are not a part of this proposal but are services that can be provided by MTG, if desired. The scope of these services is traditionally difficult to define and MTG suggests that they be performed on a time and materials basis following our standard rate schedule. Some of these items are:

- Environmental Assessments,
- Material Testing,
- Utility Subsurface Engineering,
- Resident Inspection,
- Construction Surveying or Staking, and
- As-Built Survey.

**Schedule**

Once authorized, it is anticipated that the topographic design survey, traffic study and geotechnical investigation are approximately 6-8 weeks out. MTG can provide an updated schedule upon verification from all teams; however, we will work with the City to ensure that the design is completed for the anticipated completion of the street in Summer of 2025.



## 2023-138 ATTH 01

September 29, 2023  
 West Park Boulevard Reconstruction  
 Texarkana, TX  
 Page 4

**Compensation**

MTG proposes to provide the services described above per the following line items. Please note, any changes made after surveying and drainage study are completed will be subject to an hourly rate shown in Appendix 1 attached hereto.

|                                        |                     |
|----------------------------------------|---------------------|
| Surveying.....                         | \$ 7,500.00         |
| Geotechnical Engineering.....          | \$ 7,500.00         |
| Traffic Analysis.....                  | \$15,000.00         |
| Right-of-Way Acquisition.....          | \$11,750.00         |
| Reconstruction Documents               |                     |
| • Schematic Design.....                | \$ 22,500.00        |
| • 60% Construction Documents.....      | \$ 35,000.00        |
| • 100% Construction Documents.....     | \$ 35,000.00        |
| • SWPPP.....                           | \$ 2,000.00         |
| • Drainage Analysis and Checklist..... | \$ 4,500.00         |
| • TxDot Coordination.....              | \$ 2,500.00         |
| • Franchise Utility Coordination.....  | \$ 5,000.00         |
| Bid Support.....                       | \$ 5,500.00         |
| Construction Support.....              | \$15,000.00         |
| <b>Total:.....</b>                     | <b>\$168,750.00</b> |

Additional Items (if Traffic Study and City warrants)**Right Turn Lanes**

- *West Park Boulevard Right Turn Lanes (Each)*
  - Survey..... \$ 2,500.00
  - Design..... \$ 2,500.00
  - Utility Relocations..... \$ 2,500.00
  - ROW & Easement Coordination..... \$ 2,500.00
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**2023-138 ATTH 01**

September 29, 2023  
 West Park Boulevard Reconstruction  
 Texarkana, TX  
 Page 5

**SUMMARY**

This proposal, unless otherwise noted, constitutes our understanding of the services to be provided by MTG on the project described above. This proposal is offered for a period of sixty (60) days, after which, if it has not been executed, said proposal will no longer be valid. MTG is pleased to have the opportunity to submit this proposal and we look forward to the possibility of working with you on this project.

If this proposal is acceptable to you as presented, please execute the Authorization below and return one original copy to our office. If you have any questions or would like any additional information, please do not hesitate to call us at your convenience.

Sincerely,



Kayla Wood  
 President

**AUTHORIZATION TO PROCEED:**

I have read this proposal in its entirety and agree to all its terms and conditions.

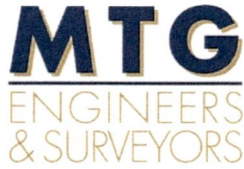
ACCEPTED BY:

Date: \_\_\_\_\_

\_\_\_\_\_  
 Signature  
 Typed Name: \_\_\_\_\_  
 Phone No.: \_\_\_\_\_

Address: \_\_\_\_\_  
 \_\_\_\_\_

## APPENDIX 1

|  |      | <b>MTG Engineers &amp; Surveyors</b><br><b>Civil***Environmental***Surveying</b><br><b>2023 Hourly Rate Schedule</b> |       |           |
|-----------------------------------------------------------------------------------|------|----------------------------------------------------------------------------------------------------------------------|-------|-----------|
| CATEGORY                                                                          | CODE | SERVICE DESCRIPTION/CLASSIFICATION                                                                                   | UNITS | RATE      |
| ENGINEERS                                                                         | PE1  | SENIOR PRINCIPAL ENGINEER                                                                                            | HOURL | \$ 245.00 |
|                                                                                   | PE2  | PRINCIPAL ENGINEER                                                                                                   | HOURL | \$ 200.00 |
|                                                                                   | PE3  | PROJECT ENGINEER                                                                                                     | HOURL | \$ 150.00 |
|                                                                                   | EIT  | ENGINEER-IN-TRAINING                                                                                                 | HOURL | \$ 110.00 |
|                                                                                   | DT   | DESIGN TECHNICIAN                                                                                                    | HOURL | \$ 85.00  |
| SURVEY                                                                            | LS1  | SENIOR REGISTERED PUBLIC LAND SURVEYOR                                                                               | HOURL | \$ 200.00 |
|                                                                                   | LS2  | REGISTERED PUBLIC LAND SURVEYOR                                                                                      | HOURL | \$ 125.00 |
|                                                                                   | ST   | SURVEY TECHNICIAN                                                                                                    | HOURL | \$ 85.00  |
|                                                                                   | SC   | SURVEY CREW *                                                                                                        | HOURL | \$ 165.00 |
|                                                                                   | SD   | LIDAR SURVEY DRONE (DATA PROCESSING EXTRA)                                                                           | HOURL | \$ 300.00 |
| PLANNERS & TECHNICIANS                                                            | UP   | LAND PLANNER                                                                                                         | HOURL | \$ 100.00 |
|                                                                                   | GT   | GIS TECHNICIAN                                                                                                       | HOURL | \$ 100.00 |
|                                                                                   | CT   | CAD TECHNICIAN                                                                                                       | HOURL | \$ 70.00  |
| OFFICE                                                                            | AP   | ADMINISTRATIVE PROFESSIONAL                                                                                          | HOURL | \$ 75.00  |

## City of Texarkana, Texas

## Briefing Sheet

Version:  
Update Date: 10/17/2023 10:42 AM

**Lead Department:** Planning and Community Development **Action Officer:** Daphnea Ryan,  
Resolution No. 2023-133 authorizing the City Manager to execute a  
**Subject:** memorandum of understanding with the City of Texarkana, Arkansas to apply  
for EPA Brownfields grant funds for Texarkana, USA.

**Briefing:** 10/23/2023 **Public Hearing:** 10/23/2023 **Council Vote:** 10/23/2023

## Item Schedule

Schedule 2: Brief once - vote once (two weeks)

## Updates/History of Briefing:

(Insert Date Here):

(Insert Text Here) or Select, Delete this and all text with parentheses and say "NOT APPLICABLE"

## Executive Summary and Background Information:

In 2010, the City of Texarkana, Texas initiated its Brownfields Program, securing assessment grant funds followed by additional grants including a Revolving Loan Fund for cleanup activities exclusively for our city limits. Recognizing the mutual benefits of a collaborative approach, both Texarkana cities desire to join forces to address Brownfields issues spanning the State Line. This twin city strategy is vital for sites like Union Station, straddling two jurisdictions, and our State Line Corridor. Leveraging grant funds on both sides of the state line promises essential economic development for both communities.

Brownfields Assessment funds serve as a catalyst for economic development, facilitating the revitalization of vacant properties potentially contaminated by hazardous substances like lead-based paint, asbestos, and petroleum products. These grants cover Phase I data research and Phase II sampling, precisely identifying contaminants for removal. This crucial information empowers investors to gauge cleanup costs and assess their project's financial viability. Assessment funds can also be applied to necessary cleanup planning documents further incentivizing redevelopment.

In the forthcoming FY24 EPA Brownfields Community-Wide Assessment fund application, the City of Texarkana, Texas will be the Lead Applicant. If successful, Texarkana, Texas will oversee the grant's administration working in partnership with the City of Texarkana, Arkansas. This Memorandum of Understanding delineates the roles and responsibilities of each party, bolstering the grant application's strength. Attorneys from both agencies have reviewed the MOU and agree on this final document.

## Potential Options:

- Approve
- Deny

## Fiscal Implications:

## City of Texarkana, Texas

All activities will be grant funded

### Staff Recommendation:

Staff Recommends Approval

### Advisory Board/Committee Review:

None

### Board/Committee Recommendation:

N/A

### Advisory Board/Committee Meeting Date and Minutes:

N/A

### Attachments

- a. 2023-133 RES MOU With Texarkana, Arkansas EPA Brownfields Assessment  
Applicaition (DOCX)
- b. 2023-133 ATTH 01 Draft MOU EPA Brownfields Community Wide  
Assessmentv2clean (DOCX)
- c. 2023-133 Goals & Perspectives (DOCX)
- d. 2023-133 RES MOU w COTA Browfields App signed (PDF)

### Staff Coordination

|                                    |                    |                        |
|------------------------------------|--------------------|------------------------|
| Planning and Community Development | Vashil Fernandez   | Department Head Review |
| Completed                          | 10/05/2023 4:21 PM |                        |
| Finance Department                 | Kristin Peeples    | Finance Review         |
| 4:39 PM                            | Completed          | 10/05/2023             |
| City Manager                       | David Orr          | City Manager Review    |
| 7:57 AM                            | Completed          | 10/06/2023             |
| City Council                       | Jennifer Evans     | Meeting                |
| 6:00 PM                            | Completed          | 10/09/2023             |

### Meeting History

## RESOLUTION NO. 2023-133

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
TEXARKANA, TEXAS, AUTHORIZING THE CITY MANAGER TO  
EXECUTE A MEMORANDUM OF UNDERSTANDING WITH THE  
CITY OF TEXARKANA, ARKANSAS, TO APPLY FOR EPA  
BROWNFIELDS COMMUNITY-WIDE ASSESSMENT GRANT FUNDS;  
AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, the City of Texarkana, Texas and the City of Texarkana, Arkansas have a need for EPA Brownfields Assessment Grant funds to perform Phase I, Phase II and cleanup planning activities of potentially contaminated properties that may enable cleanup of these sites for the health and welfare of their citizens and to aid in redevelopment of their distressed areas; and

**WHEREAS**, both cities share Brownfield properties bisected by the state line, and

**WHEREAS**, the United States Environmental Protection Agency (EPA) has opened a solicitation for Community-Wide Brownfields Assessment funding in an amount up to \$500,000, and

**WHEREAS**, the Cities of Texarkana, Texas and Arkansas desire to partner on a grant application, with Texarkana, Texas as the lead applicant.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

**SECTION 1:** The City Manager is hereby authorized to execute a memorandum of understanding with the City of Texarkana, Arkansas, to partner on an EPA Brownfields Community-Wide Assessment application.

**SECTION 2:** The City Manager is hereby authorized to apply as the lead applicant in the FY24 EPA Brownfields Community-Wide Assessment competition for \$500,000.

**SECTION 3:** This resolution shall be in full force and in effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the **23<sup>rd</sup> day of October, 2023.**

\_\_\_\_\_  
JENNIFER EVANS, CITY SECRETARY

\_\_\_\_\_  
BOB BRUGGEMAN, MAYOR



## MEMORANDUM OF UNDERSTANDING

BETWEEN

THE CITY OF TEXARKANA, TEXAS, AND THE CITY OF TEXARKANA, ARKANSAS

WHEREAS the City of Texarkana, Texas and the City of Texarkana, Arkansas, hereinafter collectively referred to as “Texarkana USA”, have a significant inventory of Brownfields properties; and

WHEREAS Texarkana USA shares Brownfield properties and a major corridor bisected by the state line; and

WHEREAS Texarkana USA lacks the necessary budgetary resources to independently support Brownfields activities; and

WHEREAS the United States Environmental Protection Agency (the “EPA”) has opened a solicitation for Community Wide Brownfields Assessment funding for an amount ranging from \$300,000 to \$500,000; and

WHEREAS Texarkana USA has a great need for this funding to perform environmental assessments of potentially contaminated properties that may enable cleanup of these sites for the health and welfare of their citizens and to aid in redevelopment of their distressed areas; and

WHEREAS Texarkana USA has a desire to apply for \$500,000 with Texarkana, Texas as the Lead Applicant.

### I. RESPONSIBILITIES OF THE CITY OF TEXARKANA, TEXAS

The City of Texarkana, Texas shall undertake the following:

- To manage and administer this agreement;
- To prepare and submit grant applications to the EPA under consultation with the City of Texarkana, Arkansas;

- To procure a consultant in compliance with Arkansas and Texas State Statutes, which procurement shall include, but not be limited to the following:
  - (1) issue Request for Proposals or Request for Qualifications;
  - (2) oversee receipt of the submitted proposals;
  - (3) selection and award of contracts;
  - (4) negotiate the terms of agreements in consultation with the City of Texarkana, Arkansas; and
  - (5) execute any agreements in consultation with the City of Texarkana, Arkansas.
- To develop a site selection process based on agreed upon factors that will ensure a minimum of eleven (11) Phase I Environmental Site Assessments and six (6) Phase II Environmental Site Assessments and project plans are completed over the life of the agreement and in consultation with the City of Texarkana, Arkansas and to submit the same to EPA for prior approval to ensure eligibility;
- Upon designation of the specific sites, to work with City of Texarkana, Arkansas to finalize the scope of work for the consultant or contractor;
- To ensure that other activities as negotiated in the work plan, such as community outreach and involvement, are implemented in accordance with a schedule agreed upon by both parties;
- To maintain compliance with the statutes, regulations, and terms and conditions of any grants received;
- To provide for the general administration of grants received;
- To maintain compliance with the terms and conditions of this Agreement;
- To provide timely information to the City of Texarkana, Arkansas regarding the management of the Agreement and any changes that may be made to the Agreement over the period of performance; and
- Any other responsibilities that, from time to time, Texarkana USA shall determine to be necessary and proper to accomplish the purposes of the Agreement.

## II. RESPONSIBILITIES OF THE CITY OF TEXARKANA, ARKANSAS

The City of Texarkana, Arkansas shall undertake the following:

- To provide timely information to the City of Texarkana, Texas as may be requested in performing its duties under this Agreement;
- To participate fully in the Brownfields assessment process;
- To obtain all required permits, easements, and /or access agreements as may be necessary to undertake assessments at the selected site; provided however, if the City of Texarkana, Arkansas, does not have the capacity to perform these activities at that time, the City of Texarkana, Texas may assist in securing necessary site access agreements and permits with City of Texarkana, Arkansas' full cooperation;

- To comply with all funding requirements set forth in any grant agreements that may be entered into by the City of Texarkana, Texas, including an accounting of expenditures of grant funds made; and
- To timely comply with any other requests that may be made by the Lead Applicant from time to time in performing its duties under this Agreement.
- To maintain compliance with the terms and conditions of this Agreement; and
- Any other responsibilities that, from time to time, Texarkana USA shall determine to be necessary and proper to accomplish the purposes of the Agreement.

### III. FUNDING

Texarkana USA agrees to the following:

- Any compensation for professional services shall be paid as provided under the terms of any grants received.
- Any commitment of non-grant funds must be approved pursuant to the procurement requirements of the governing bodies of the respective Parties.
- Texarkana USA understands and acknowledges that all funds used for payment according to this Agreement, if any, shall be derived solely from funds specifically appropriated for this MOU or projects relating thereto, and there shall be no obligation on the City of Texarkana, Texas or City of Texarkana, Arkansas to provide additional funding.

### IV. NOTICES

All notices, demands or communications required in accordance with the terms of this Agreement, shall be sent by registered or certified mail, return receipt requested; by nationally recognized overnight courier service with notice effective five days after deposit in the mail or delivery to the courier service; or by email sent to the email address designated by the parties effective upon receipt of a delivery notice. The notices shall be sent to the addresses set forth below unless otherwise designated, in writing, by the parties.

For the City of Texarkana, Texas:

David Orr, City Manager  
220 Texas Boulevard  
Texarkana, TX 75501  
903-798-3901

Email: [david.orr@texarkanatexas.gov](mailto:david.orr@texarkanatexas.gov)

Cc: Vashil Fernandez, Director of Planning, Community Development, and Health  
[vashil.fernandez@texarkanatexas.gov](mailto:vashil.fernandez@texarkanatexas.gov)

Daphnea Ryan, Grants Administration Manager, [dryan@texarkanatexas.gov](mailto:dryan@texarkanatexas.gov)

For the City of Texarkana, Arkansas:

Tyler Richards, Director, Department of Public Works  
 216 Walnut Street  
 Texarkana, AR 71854  
 870-779-4975  
[tyler.richards@txkusa.org](mailto:tyler.richards@txkusa.org)

V. EFFECTIVE DATE AND SIGNATURE

The Effective Date of this Agreement shall be the date the last representative executed the agreement and shall terminate ninety (90) days after the date the awarded EPA Assessment Grant expires.

**City of Texarkana, Texas**

\_\_\_\_\_  
 David Orr, Ph.D., City Manager

\_\_\_\_\_  
 Date

**City of Texarkana, Arkansas**

\_\_\_\_\_  
 Robert Thompson, City Manager

\_\_\_\_\_  
 Date

## City of Texarkana, Texas

## Developing Perspectives and Goals Pending Approval by the City Council:

| Perspectives         | Goals                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Serve the Community  | <input checked="" type="checkbox"/> Promote an Environmentally Sensitive & Livable Community<br><input checked="" type="checkbox"/> Provide a Safe Community<br><input checked="" type="checkbox"/> Deliver Quality Services<br><input checked="" type="checkbox"/> Foster a Healthy Community                                                                                                                                           |
| Run the Operations   | <input type="checkbox"/> Enhance Community Preparedness & Responsiveness<br><input checked="" type="checkbox"/> Maximize Partnership Opportunities<br><input type="checkbox"/> Provide Courteous & Responsive Customer Service<br><input checked="" type="checkbox"/> Model a Positive City Image<br><input type="checkbox"/> Deliver Efficient Services<br><input checked="" type="checkbox"/> Cultivate Community Involvement & Access |
| Manage the Resources | <input checked="" type="checkbox"/> Maintain Fiscal Strength<br><input checked="" type="checkbox"/> Maximize Utilization & Resources<br><input type="checkbox"/> Invest in Infrastructure & Transportation                                                                                                                                                                                                                               |
| Develop Personnel    | <input type="checkbox"/> Develop a Skilled & Diverse Workforce<br><input type="checkbox"/> Create a Positive & Rewarding Work Culture                                                                                                                                                                                                                                                                                                    |

## Perspectives and Goals Additional Comments:

## Resource Impact:

Staff time required if item is approved: No Additional

## Other Potential Impacts:

## Public Information Plan:

|                                                                            |                                                               |
|----------------------------------------------------------------------------|---------------------------------------------------------------|
| <input type="checkbox"/> Newspaper Notice (Required by Statute)            | <input type="checkbox"/> Public Hearing (Required by Statute) |
| <input type="checkbox"/> Public Forum/Input Session                        | <input type="checkbox"/> Press Release                        |
| <input type="checkbox"/> E-News Distribution                               | <input type="checkbox"/> Website Notice                       |
| <input checked="" type="checkbox"/> Social Media (Twitter, Facebook, etc.) | <input type="checkbox"/> Special Mailing                      |
| <input type="checkbox"/> Flyers Posted                                     | <input type="checkbox"/> Banners Posted                       |
| <input type="checkbox"/> Survey                                            | <input type="checkbox"/> Automated Phone Call                 |
| <input type="checkbox"/> None Required                                     | <input type="checkbox"/>                                      |

Other:

## RESOLUTION NO. 2023-133

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS, AUTHORIZING THE CITY MANAGER TO EXECUTE A MEMORANDUM OF UNDERSTANDING WITH THE CITY OF TEXARKANA, ARKANSAS, TO APPLY FOR EPA BROWNFIELDS COMMUNITY-WIDE ASSESSMENT GRANT FUNDS; AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, the City of Texarkana, Texas and the City of Texarkana, Arkansas have a need for EPA Brownfields Assessment Grant funds to perform Phase I, Phase II and cleanup planning activities of potentially contaminated properties that may enable cleanup of these sites for the health and welfare of their citizens and to aid in redevelopment of their distressed areas; and

**WHEREAS**, both cities share Brownfield properties bisected by the state line, and

**WHEREAS**, the United States Environmental Protection Agency (EPA) has opened a solicitation for Community-Wide Brownfields Assessment funding in an amount up to \$500,000, and

**WHEREAS**, the Cities of Texarkana, Texas and Arkansas desire to partner on a grant application, with Texarkana, Texas as the lead applicant.

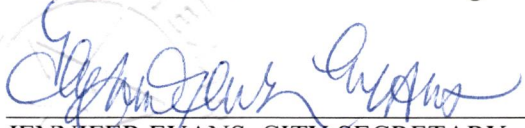
**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

**SECTION 1:** The City Manager is hereby authorized to execute a memorandum of understanding with the City of Texarkana, Arkansas, to partner on an EPA Brownfields Community-Wide Assessment application.

**SECTION 2:** The City Manager is hereby authorized to apply as the lead applicant in the FY24 EPA Brownfields Community-Wide Assessment competition for \$500,000.

**SECTION 3:** This resolution shall be in full force and in effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the **23<sup>rd</sup>** day of October, 2023.

  
JENNIFER EVANS, CITY SECRETARY

  
BOB BRUGGEMAN, MAYOR

*6:20 p.m.*



## City of Texarkana, Texas

## Briefing Sheet

Version: A

Update Date: 9/21/2023 2:57 PM

**Lead Department:** Economic Development      **Action Officer:** Lisa Thompson, Economic Development/PIO  
**Subject:** Resolution No. 2023-117 authorizing the City Manager to execute a business incentive agreement with Sterno Group, LLC, for expansion of a local manufacturing business, and authorizing business incentives based upon job creation and salary level criteria in an amount not to exceed \$450,000.

**Briefing:** 10/9/2023      **Public Hearing:** 10/9/2023      **Council Vote:** 10/9/2023

## Item Schedule

Schedule 2: Brief once - vote once (two weeks)

## Updates/History of Briefing:

Not Applicable

## Executive Summary and Background Information:

Staff has been in discussion with Sterno Group, LLC to expand an existing local manufacturer in Texarkana, Texas. Sterno plans to add 100 new jobs over the next three years, which will pay at or above the per capita income for Texarkana, Texas.

This project qualifies for our Chapter 380 Business Incentive Program as approved by City Council in Resolution No. 2015-120. The business incentive as proposed will offer \$4,500 per new job created up to 100 jobs for an aggregate total of \$450,000 over the next three years.

## Potential Options:

- Approve
- Deny

## Fiscal Implications:

Business Incentive is budgeted in the Economic Development Fund. No negative fiscal implications will be experienced.

## Staff Recommendation:

Staff recommends approval.

## Advisory Board/Committee Review:

NONE

## Board/Committee Recommendation:

NOT APPLICABLE

## Advisory Board/Committee Meeting Date and Minutes:

## City of Texarkana, Texas

NOT APPLICABLE

**Attachments**

- a. 2023-117 RES Chapter 380 (DOCX)
- b. 2023-117 ATTH 01 Chap. 380 App - Sterno (PDF)
- c. 2023-117 Goals & Perspectives (DOCX)
- d. 2023-117 RES Chap. 380 - Sterno signed (PDF)

**Staff Coordination**

|                      |                 |                     |                        |            |
|----------------------|-----------------|---------------------|------------------------|------------|
| City Attorney        | Jennifer Evans  | Review              | Skipped                | 08/23/2023 |
| 2:56 PM              |                 |                     |                        |            |
| Economic Development |                 | Lisa Thompson       | Department Head Review |            |
|                      | Completed       | 08/23/2023 3:05 PM  |                        |            |
| Finance Department   | Kristin Peeples | Finance Review      | Completed              | 08/23/2023 |
| 4:08 PM              |                 |                     |                        |            |
| City Manager         | David Orr       | City Manager Review | Completed              | 08/31/2023 |
| 1:57 PM              |                 |                     |                        |            |
| City Council         | Vicky Coopwood  | Meeting             | Completed              | 09/25/2023 |
| 6:00 PM              |                 |                     |                        |            |

**Meeting History**

|          |              |               |                |
|----------|--------------|---------------|----------------|
| 09/25/23 | City Council | MOVED FORWARD | Next: 10/09/23 |
|----------|--------------|---------------|----------------|

## RESOLUTION NO. 2023-117

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS, AUTHORIZING THE CITY MANAGER TO EXECUTE AN INCENTIVE AGREEMENT AND ANY NECESSARY DOCUMENTATION WITH STERNO GROUP, LLC, FOR EXPANSION OF A LOCAL MANUFACTURING BUSINESS UPON THE RECEIPT AND APPROVAL OF AN APPLICATION FOR BUSINESS INCENTIVE PURSUANT TO AND IN COMPLIANCE WITH THE CITY'S CHAPTER 380 PROGRAM REQUIREMENTS; AUTHORIZING BUSINESS INCENTIVES BASED UPON JOB CREATION AND SALARY LEVEL CRITERIA, TOTAL AGGREGATE BUSINESS INCENTIVES NOT TO EXCEED \$450,000; AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, by Resolution No. 2015-120, the City Council established a program pursuant to Chapter 380 of the Texas Local Government Code to extend business incentives for the promotion of local economic development and to stimulate business and commercial activity in the City; and

**WHEREAS**, the program requirements established by the City Council provide the criteria for City administrative review and City Council consideration when exercising discretion to grant business incentives; and

**WHEREAS**, Sterno Group, LLC, has verbally committed to creating at least 100 new jobs in Texarkana, Texas over the next three years, at an annual salary level of at least \$30,000, which is higher than the median average income of the City; and

**WHEREAS**, the City has determined that the creation of these new jobs at the stated salary level will promote local economic development, add to the economic base of the city, stimulate business and commercial activity, and be beneficial to and in the best interests of the citizens of Texarkana, Texas.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

**SECTION 1:** Upon receipt and review of an Application for Business Incentive pursuant to and in compliance with the criteria of the City's Chapter 380 Program and consistent with the recitals set forth in this Resolution, the City Manager is delegated authority, within his discretion, to approve said application; and upon such approval, the City Manager is hereby authorized to negotiate and execute a written business incentive agreement with Sterno Group, LLC or its members, successors, assigns or affiliates to provide business incentives as follows: (i) the authorized incentive shall not exceed \$4,500 per new job created, one person per job, at an annual gross salary of at least \$30,000 [the specified salary level]; (ii) an aggregate total of 50 new jobs at the specified salary level must be created and maintained during the incentive term as a condition for City's initial payment of a \$225,000 business incentive, with subsequent City business incentive payments conditioned upon the creation of each set of additional 25 new jobs at the specified salary level; (iii) the incentive term shall extend for a period of three years or 36 months, or the creation of 100 jobs at the specified salary level, whichever occurs first; and (iv) the agreement may provide for agreed-upon extensions of time, as may be determined in the discretion of the City Manager, if any unachieved incentive remains at the conclusion of the three-year incentive term. The details of the authorized business incentive set out in this Section 1 shall be essential terms of the business incentive agreement.

**SECTION 2:** The business incentive agreement authorized by this Resolutions shall contain provisions for City confirmation of the incentive recipient's job creation at required payroll levels.

**SECTION 3:** The City Manager or designee is further authorized to complete and execute any necessary documents to further the incentive agreement and application process authorized by this Resolution.

**SECTION 4:** This Resolution shall be in full force and effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the **9<sup>th</sup> day of October, 2023.**

ATTEST:

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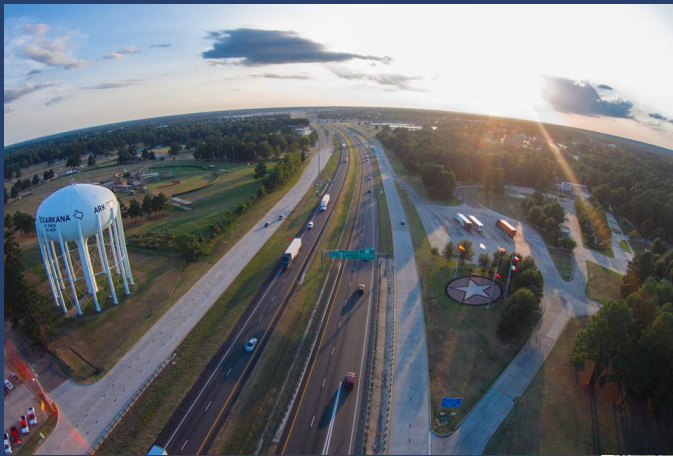
JENNIFER EVANS, CITY SECRETARY

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BOB BRUGGEMAN, MAYOR

# Application for Business Incentive Chapter 380 Program (Res. # 2015-120)

Office of Economic Development  
City of Texarkana, Texas



Attachment: 2023-117 ATTH 01 Chap. 380 App - Sterno (4079 : 2023-117 RES Ch. 380 for existing local business)

## Introduction:

First, thank you so much for your interest in investing in Texarkana, Texas. We are excited about every new project that surfaces in our community and eager to hear how we can help make your venture a success. The following application is designed to help us learn more about your project, and help you decide if the Chapter 380 business incentive is something that can benefit your project. Please reach out if you need assistance completing the application, or there are details that you're unable to provide. We want to make doing business with the City easy, and are ready to work out an agreement that benefits everyone.

## Overview of Chapter 380 Incentives:

### Policy Statement:

The City Council chooses to extend business incentives as authorized by Texas law when such incentives improve the quality of life for all citizens through the creation and retention of job opportunities within the community. The program requirements provide the criteria for City administrative review and City Council consideration when exercising discretion to grant business incentives. This program neither requires nor binds the City Council to grant any business incentive.

### Threshold Prerequisites.

As a condition for application filing and City administrative evaluation, the project must:

- Conform to the City's Comprehensive Zoning Ordinance;
- Comply with all City ordinances and state and federal laws and regulations;
- Meet at least one of the following:
  - The project value, including land, construction and fixed improvements, totals at least \$10,000,000 for new Construction or at least \$5,000,000 for an Existing Facility;
  - The City deems the project an Exceptional Project;
  - The project contributes to the retention or expansion of employment;
  - The project contributes substantially to redevelopment efforts as opposed to merely transferring employment from one business in the City to another;
  - At least fifty (50) jobs will be created or retained that meet or exceed the per capita income level in the Texarkana MSA.
  - At least \$5,000,000 in annual payroll will be paid by the project; or
  - At least \$400,000 in local sales taxes are to be directly generated by the project.

### References and Definitions:

For more information about the City's Chapter 380 Policy, definitions and exclusions, please reference City Council Resolution 2015-120 adopted on January 25, 2016. It can be found here:

[http://texarkanacitytx.igq2.com/Citizens/Detail\\_Legifile.aspx?ID=1393&highlightTerms=2015-120](http://texarkanacitytx.igq2.com/Citizens/Detail_Legifile.aspx?ID=1393&highlightTerms=2015-120)



BIP Name [\*see below if BIP is an entity] : Sterno GroupPrimary Contact Person: Shane PeckPhysical Address of Potential Project: 303 Falvey Ave. Texarkana, Texas 75501Primary Address of BIP: 6900 North Dallas PKWY, Ste. 870 Plano, Texas 75024Primary Office Phone : 951-248-4199Primary Email Address: speck@sterno.com & tvan@sterno.comPrimary Cell Phone: Shane Peck 951-235-7685 Terrie Van 951-233-3985Source of referral: (Chamber, realtor, direct, etc.): Mayor BruggemanBIP's NAICS Code: 339900

\*If BIP is an entity: Attach documentation that identifies the legal status, verifies the entity's right to transact business in the State of Texas, and discloses the entity's officers, directors, and owners.

### Project Description

Describe your project with sufficient detail so that a determination may be made as to its eligibility for a business incentive according to the definition of "Eligible Project" in the program requirements. Attach documentation if necessary.

The application **must** include a detailed map and property description along with a timeline for project completion.

Sterno, a local manufacturing business that has operated in Texarkana, Texas and been located in Falvey Industrial Park for many years, will relocate up to 100 Jobs from Memphis, TN to Texarkana. This move will make Texarkana the largest manufacturer of Sterno products in North America.

Type text here

**Exclusions:**

*(Note: If the answer to the following is yes, please attach an explanation or documentation.)*

YES

☐ No

Has any proposed project activity (not including the BIP's planning and due diligence) occurred prior to the filing of this application?

YES

☐ No

Does the BIP, including any business or property owned or leased in whole or in part by the BIP, have an outstanding tax lien owing to any governmental entity?

YES

☐ No

Has the BIP, including any business or property owned or leased in whole or in part by the BIP, within the five-year period preceding the date of filing this application, been cited, noticed, or fined for noncompliance or violation of a federal law or regulation, a state law or regulation, or a Texarkana, Texas, city code, ordinance, or resolution?

YES

☐ No

Is the BIP, including any business or property owned or leased in whole or in part by the BIP, a party to a claim or proceeding against the City of Texarkana, Texas, or is implicated in a claim or proceeding against a third party that may hinder or interfere with the efficacy of the Business Incentive requested?

YES

☐ No**Qualifications:**

The project value, including land, construction and fixed improvements, totals at least \$10,000,000 for new Construction or at least \$5,000,000 for an Existing Facility.

YES

☐ No

The project contributes to the retention or expansion of employment.

☒ YES

NO

The project contributes substantially to redevelopment efforts as opposed to merely transferring employment from one business in the City to another.

At least fifty (50) jobs will be created or retained that meet or exceed the per capita income level in the Texarkana MSA.

☒ YES

NO

At least \$5,000,000 in annual payroll will be paid by the project.

YES

☐ No

At least \$400,000 in local sales taxes are to be directly generated by the project.

YES

☐ No

**Exceptions:**

The project should be deemed an Exceptional Project if it makes use of an underutilized asset, diversifies the local economic base, creates leverage with local economic interests, expands the local market for a good or service, or is located in a designated redevelopment or historical area or neighborhood.

If this project should be deemed as Exceptional, please provide justification:

**Compliance:**

Describe how the proposed project conforms to the Comprehensive Zoning Ordinance of the City of Texarkana, Texas, and complies with all City ordinances and state and federal laws and regulations. Include in your response whether the project will require any zoning changes or special use permits. Attach descriptions/maps/site plans if necessary.

No zoning or planning issues will arise from this project.

Attachment: 2023-117 ATTH 01 Chap. 380 App - Sterno (4079 : 2023-117 RES Ch. 380 for existing local business)

**Requests:**

Describe the incentive that would make the project viable, whether it be gap financing, tax relief, skills development funding, or another tool. Also, provide information about requested length of agreement, payback terms, and timeline if available or known.

Company is seeking per job incentive to expand manufacturing base in Texarkana, Texas. City has offered up to \$450,000 for 100 new jobs over the next three years, not to exceed \$150,000 each year. These jobs will pay at or above the median income for Texarkana, Texas.

Describe your efforts, if any, to request similar incentives from any other public or private entity, and the progress of those efforts.

Tennessee and Indiana are actively competing for this work. Georgia is also in the running.

**Review Criteria and Disclosures:**

Provide responses to each of the criteria below, or explain why a particular criterion should not apply to your project.

Disclose the BIP's **financial capacity and available resources** to fund, develop, and complete the proposed project, excluding consideration of any Business Incentive. Attach documentation. (Note: Disclosure of financial capacity and available resources typically involves providing business plans together with audited financial statements and tax returns from the preceding three years.)

**Review Criteria and Disclosures (continued):**

Disclose the **assessed, taxable value of land and existing improvements**, if any, associated with the project, separately stated for real and personal property, for the tax year immediately preceding the year of application.

\$8,858,723 in inventory and supplies, \$5,354,633 in machinery and equipment, \$215,332 in 1-ton vehicle, \$1,459,695 at 303 Falvey, \$1,241,907 at 304 Falvey

Disclose the type, value, and productive life of **proposed project improvements**.

N/A at this time, but we are doing exploratory research and feasibility study to bring in manufacturing of components we currently buy that is not produced in Texas currently

Identify the number of **existing jobs** that meet or exceed the per capita income level for the Texarkana MSA to be retained by the proposed project. 64

Identify the number and type of **new jobs** that meet or exceed the per capita income level for the Texarkana MSA to be created by the proposed project, and whether the new jobs will be filled by persons residing or projected to reside within the Texarkana MSA.

New positions will generate \$1,564,160 (50 jobs) to \$3.128MM (100 jobs) in payroll without fringe.

Disclose the dollar amount of **payroll within the territorial jurisdiction of the City** of Texarkana, Texas, to be created or retained by the proposed project.

Disclose the dollar amount of **payroll within the extraterritorial jurisdiction of the City** of Texarkana, Texas, to be created or retained by the proposed project.

Disclose the dollar amount of **local sales tax** to be generated directly by the proposed project.

**Review Criteria and Disclosures (continued):**

Identify or otherwise disclose **costs to be incurred by the City of Texarkana, Texas**, to provide facilities or services directly resulting from the proposed project.

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Disclose the amount of **ad valorem taxes to be paid to the City of Texarkana, Texas**, during the Business Incentive Period, taking into consideration the pre-application values, the amount and type of the Business Incentive, the Business Incentive Period, and the value after expiration of the Business Incentive Period.

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Identify the number of **existing jobs** that meet or exceed the per capita income level for the Texarkana MSA to be retained by the proposed project. \_\_\_\_\_

Identify the number and type of **new jobs** that meet or exceed the per capita income level for the Texarkana MSA to be created by the proposed project, and whether the new jobs will be filled by persons residing or projected to reside within the Texarkana MSA.

New positions will generate \$1,564,160 (50 jobs) to \$3.128MM (100 jobs) in payroll without fringe.

Type text here

Disclose the dollar amount of **payroll within the territorial jurisdiction of the City of Texarkana, Texas**, to be created or retained by the proposed project.

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Disclose the dollar amount of **payroll within the extraterritorial jurisdiction of the City of Texarkana, Texas**, to be created or retained by the proposed project.

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**Review Criteria and Disclosures (continued):**

Disclose the dollar amount of **local sales tax** to be generated directly by the proposed project.

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Disclose the amount of **property tax base valuation** that will be increased during and after the Business Incentive Period.

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Identify or otherwise disclose **costs to be incurred by the City of Texarkana, Texas**, to provide facilities or services directly resulting from the proposed project.

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Disclose the amount of **ad valorem taxes to be paid to the City of Texarkana, Texas**, during the Business Incentive Period, taking into consideration the pre-application values, the amount and type of the Business Incentive, the Business Incentive Period, and the value after expiration of the Business Incentive Period.

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Disclose your projection of the **population growth** of the City of Texarkana, Texas, that will occur directly as a result of the proposed project.

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Identify the **types and values of public improvements**, if any, to be made by the BIP.

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**Review Criteria and Disclosures (continued):**

Disclose whether the proposed project **restricts or enhances the business opportunities of existing businesses** within the City of Texarkana, Texas.

N/A

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Disclose whether the proposed project **attracts other new business** or new economic development to the area.

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Disclose whether the project is **environmentally compatible** with the City of Texarkana, Texas, as it exists prior to receipt of the application.

Yes

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Disclose whether the proposed project will **generate a negative impact on the quality of life within the City of Texarkana, Texas, constitute a nuisance, or constitute a hazard** to public safety, health, and welfare.

No

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Disclose whether and to what extent the proposed project makes a **substantial contribution to redevelopment efforts or special area plans** by enhancing either functional or visual characteristics (examples include historical structures, traffic circulation, parking, facades, signs, materials, and urban design).

This project is important to bolstering the Falvey Industrial area and 7th Street.

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**Review Criteria and Disclosures (continued):**

Disclose whether the location of the proposed project furthers the **mission, vision and values** of the City of Texarkana, Texas. *Note: M, V and V can be found at <https://ci.texarkana.tx.us/140/Human-Resources>*

Yes

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---

Disclose whether the proposed project or requested Business Incentive would result in an **adverse effect on government services or the local tax base.**

No

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Disclose whether the proposed project or requested Business Incentive would **decrease or exclude the amount of the tax increment of any taxing unit or any deposit made by any taxing unit to the tax increment fund for the Tax Increment Reinvestment Zones** of the City of Texarkana, Texas.

No

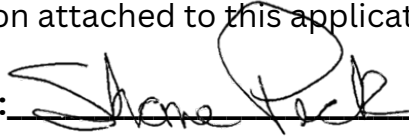
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The City may contact the BIP for additional information specific to the proposed project and Business Incentive as deemed necessary by the City Manager and City Attorney (see § 4.1.15 of the Program Requirements).

### Acknowledgement of Business Incentive Prospect

The undersigned, whether individually as the Business Incentive Prospect or in a representative capacity as authorized by the Business Incentive Prospect, acknowledges reading the Chapter 380 Program Requirements, including but not limited to the specific provisions pertaining to Confidential or Proprietary Information and required Agreement provisions in the event the City Council authorizes an Agreement for a Business Incentive. The undersigned affirms having full authority to submit this application, that the Business Incentive Prospect shall comply fully with all Program Requirements, and that the information attached to this application and answers provided herein are true and correct.

Signature: 

Printed Name: Shane Peck

Dated: 31 August 2023

Return completed application form and requested information to:

Lisa Thompson  
Economic Developer  
City of Texarkana, Texas  
220 Texas Blvd.  
Texarkana Texas 75504-1967  
Office 903.798.1743 Cell 903.244.5591

### Required attachments:

- Business Plan
- Financial statements (corporate, partnership, and/or personal)
- Project costs documentation

*For Internal Use Only:*

Received Date: \_\_\_\_\_ By: \_\_\_\_\_

Proposed Incentive: \_\_\_\_\_

Terms: \_\_\_\_\_

Length: \_\_\_\_\_

**2021 TAX RETURN FILING INSTRUCTIONS**

TEXAS FORM 05-158-A/05-158-B AND 05-102

FOR THE YEAR ENDING

DECEMBER 31, 2020

|                                              |                                                                                                                                                                                             |  |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Prepared for                                 | STERNOCANDLELAMP HOLDINGS INC<br>1880 COMPTON AVE 101<br>CORONA, CA 92881                                                                                                                   |  |
| Prepared by                                  | WYSON & COMPANY INC<br>2900 BRISTOL ST, STE D209<br>COSTA MESA, CA 92626                                                                                                                    |  |
| To be signed and dated by                    | THE APPROPRIATE CORPORATE OFFICER(S).                                                                                                                                                       |  |
| Amount of tax                                | Total tax \$ 40,057.55<br>Less: payments and credits \$ 40,057.55<br>Plus: other amount \$ 0.00<br>Plus: interest and penalties \$ 0.00<br>NO PMT REQUIRED \$                               |  |
| Overpayment                                  | Credited to your estimated tax \$ 0.00<br>Other amount \$ 0.00<br>Refunded to you \$ 0.00                                                                                                   |  |
| Make check payable to                        | NOT APPLICABLE                                                                                                                                                                              |  |
| Mail tax return and check (if applicable) to | TEXAS COMPTROLLER OF PUBLIC ACCTS<br>P.O. BOX 149348<br>AUSTIN, TX 78714-9348                                                                                                               |  |
| Return must be mailed on or before           | JUNE 15, 2021                                                                                                                                                                               |  |
| Special Instructions                         | PLEASE, DO NOT STAPLE ANY PART OF THE RETURN TOGETHER.<br><br>THE APPROPRIATE CORPORATE OFFICER(S) SHOULD SIGN AND DATE THE 05-102 - PUBLIC INFORMATION REPORT AND MAIL IT WITH THE RETURN. |  |

142654C 080701

TX2021 05-102

Ver. 12.0 (Rev.9-15/33)

## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),  
Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,  
Government Code, to review, request and correct information  
we have on file about you. Contact us at 1-800-252-1381.

32059066467

2021

|                                             |          |                       |                                                                        |  |
|---------------------------------------------|----------|-----------------------|------------------------------------------------------------------------|--|
| Taxpayer name STERNOCANDLELAMP HOLDINGS INC |          |                       | <input type="checkbox"/> Check box if the mailing address has changed. |  |
| Mailing address<br>1880 COMPTON AVE 101     |          |                       | Secretary of State (SOS) file number or<br>Comptroller file number     |  |
| City CORONA                                 | State CA | ZIP code plus 4 92881 |                                                                        |  |

☒ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                             |                                        |
|-----------------------------|----------------------------------------|
| Principal office            | 1880 COMPTON AVE 101, CORONA, CA 92881 |
| Principal place of business | 1880 COMPTON AVE 101, CORONA, CA 92881 |



3205906646721

You must report officer, director, member, general partner and manager information as of the date you complete this report.

Please sign below!

This report must be signed to satisfy franchise tax requirements.

## SECTION A Name, title and mailing address of each officer, director, member, general partner or manager.

|                 |       |                                          |                    |             |
|-----------------|-------|------------------------------------------|--------------------|-------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |

## SECTION B Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                                                          |                    |                                            |                                   |
|----------------------------------------------------------------------------------------------------------|--------------------|--------------------------------------------|-----------------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution<br>THE STERNO GROUP LLC     | State of formation | Texas SOS file number, if any<br>800762197 | Percentage of ownership<br>100.00 |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution<br>CANDLE LAMP COMPANY, LLC | State of formation | Texas SOS file number, if any              | Percentage of ownership<br>100.00 |

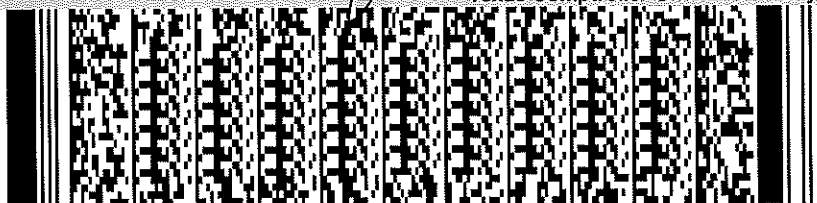
## SECTION C Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

|                                                                                                         |                    |                                                                                                                                  |                         |
|---------------------------------------------------------------------------------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution                                | State of formation | Texas SOS file number, if any                                                                                                    | Percentage of ownership |
| Registered agent and registered office currently on file (see instructions if you need to make changes) |                    |                                                                                                                                  |                         |
| Agent:                                                                                                  |                    | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                         |
| Office:                                                                                                 | City               | State                                                                                                                            | ZIP Code                |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

|                                                                                                                                                                                                                                                                                                                                                                                                                    |              |                |                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------|----------------------------------------------|
| I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution. |              |                |                                              |
| sign here                                                                                                                                                                                                                                                                                                                                                                                                          | Title<br>CFO | Date<br>5/6/21 | Area code and phone number<br>(951) 248-4100 |

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),

Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,

Government Code, to review, request and correct information

we have on file about you. Contact us at 1-800-252-1381.

12056255545

2021

|                                              |          |                                                                        |            |
|----------------------------------------------|----------|------------------------------------------------------------------------|------------|
| Taxpayer name THE STERNO GROUP LLC           |          | <input type="checkbox"/> Check box if the mailing address has changed. |            |
| Mailing address<br>1880 COMPTON AVE, STE 101 |          | Secretary of State (SOS) file number or<br>Comptroller file number     |            |
| City CORONA                                  | State CA | ZIP code plus 4 928812780                                              | 0800762197 |

☒ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                                        |
|------------------------------------------------------------------------|
| Principal office 1880 COMPTON AVE, STE 101 CORONA, CA 92881            |
| Principal place of business 1880 COMPTON AVE, STE 101 CORONA, CA 92881 |



You must report officer, director, member, general partner and manager information as of the date you complete this report.

**Please sign below!****This report must be signed to satisfy franchise tax requirements.**

1205625554521

**SECTION A** Name, title and mailing address of each officer, director, member, general partner or manager.

|                 |       |                                          |                 |             |
|-----------------|-------|------------------------------------------|-----------------|-------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code        |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code        |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code        |             |

**SECTION B** Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                              |                    |                               |                         |
|------------------------------------------------------------------------------|--------------------|-------------------------------|-------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |

**SECTION C** Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

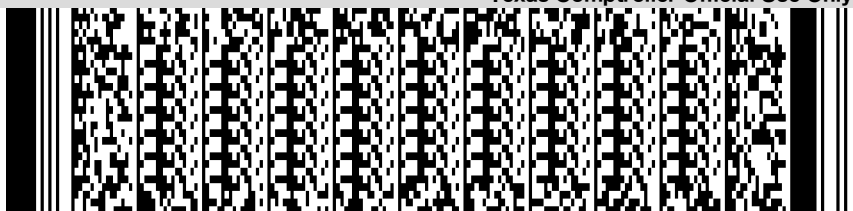
|                                                                                                         |                          |                                                                                                                                  |                                   |
|---------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution<br>STERNOCANDLELAMP HOLDINGS   | State of formation<br>DE | Texas SOS file number, if any<br>32059066467                                                                                     | Percentage of ownership<br>100.00 |
| Registered agent and registered office currently on file (see instructions if you need to make changes) |                          | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                                   |
| Agent:                                                                                                  |                          |                                                                                                                                  |                                   |
| Office:                                                                                                 | City                     | State                                                                                                                            | ZIP Code                          |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution.

|           |              |                    |                                              |
|-----------|--------------|--------------------|----------------------------------------------|
| sign here | Title<br>CFO | Date<br>2021/06/11 | Area code and phone number<br>(951) 248-4100 |
|-----------|--------------|--------------------|----------------------------------------------|

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|





## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),

Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,

Government Code, to review, request and correct information

we have on file about you. Contact us at 1-800-252-1381.

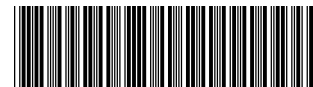
32067360696

2021

|                                              |          |                                                                        |  |
|----------------------------------------------|----------|------------------------------------------------------------------------|--|
| Taxpayer name STERNO HOME                    |          | <input type="checkbox"/> Check box if the mailing address has changed. |  |
| Mailing address<br>1880 COMPTON AVE, STE 101 |          | Secretary of State (SOS) file number or<br>Comptroller file number     |  |
| City CORONA                                  | State CA | ZIP code plus 4 928812780                                              |  |

☒ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                                         |
|-------------------------------------------------------------------------|
| Principal office 1880 COMPTON AVE, STE 101 CORONA, CA 92881             |
| Principal place of business 1 BURBIDGE ST, STE 101 COQUITLAM BC, CANADA |



3206736069621

You must report officer, director, member, general partner and manager information as of the date you complete this report.

**Please sign below!****This report must be signed to satisfy franchise tax requirements.****SECTION A** Name, title and mailing address of each officer, director, member, general partner or manager.

|                 |       |                                          |                    |             |
|-----------------|-------|------------------------------------------|--------------------|-------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |

**SECTION B** Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                              |                    |                               |                         |
|------------------------------------------------------------------------------|--------------------|-------------------------------|-------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |

**SECTION C** Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

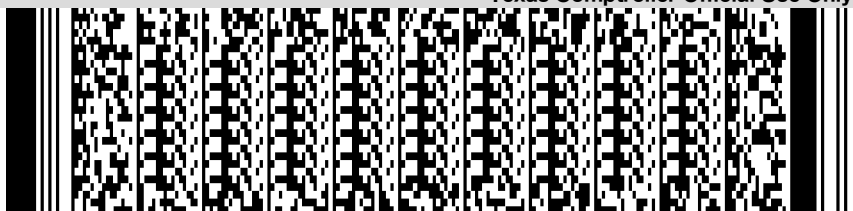
|                                                                                                         |                          |                                                                                                                                  |                                   |
|---------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution<br>STERNOCANDLELAMP HOLDINGS   | State of formation<br>DE | Texas SOS file number, if any<br>32059066467                                                                                     | Percentage of ownership<br>100.00 |
| Registered agent and registered office currently on file (see instructions if you need to make changes) |                          | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                                   |
| Agent:                                                                                                  |                          |                                                                                                                                  |                                   |
| Office:                                                                                                 | City                     | State                                                                                                                            | ZIP Code                          |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution.

|           |              |                    |                                              |
|-----------|--------------|--------------------|----------------------------------------------|
| sign here | Title<br>CFO | Date<br>2021/06/11 | Area code and phone number<br>(951) 248-4100 |
|-----------|--------------|--------------------|----------------------------------------------|

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),

Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,

Government Code, to review, request and correct information

we have on file about you. Contact us at 1-800-252-1381.

32069826355

2021

|                                              |          |                                                                        |  |
|----------------------------------------------|----------|------------------------------------------------------------------------|--|
| Taxpayer name RIMPORTS LLC                   |          | <input type="checkbox"/> Check box if the mailing address has changed. |  |
| Mailing address<br>1880 COMPTON AVE, STE 101 |          | Secretary of State (SOS) file number or<br>Comptroller file number     |  |
| City CORONA                                  | State CA | ZIP code plus 4 928812780                                              |  |

☒ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                             |
|-------------------------------------------------------------|
| Principal office 1880 COMPTON AVE, STE 101 CORONA, CA 92881 |
| Principal place of business 201 E BAY BLVD PROVO, UT 84606  |



3206982635521

You must report officer, director, member, general partner and manager information as of the date you complete this report.

**Please sign below!****This report must be signed to satisfy franchise tax requirements.****SECTION A** Name, title and mailing address of each officer, director, member, general partner or manager.

|                 |       |                                          |                    |             |
|-----------------|-------|------------------------------------------|--------------------|-------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |

**SECTION B** Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                              |                    |                               |                         |
|------------------------------------------------------------------------------|--------------------|-------------------------------|-------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |

**SECTION C** Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

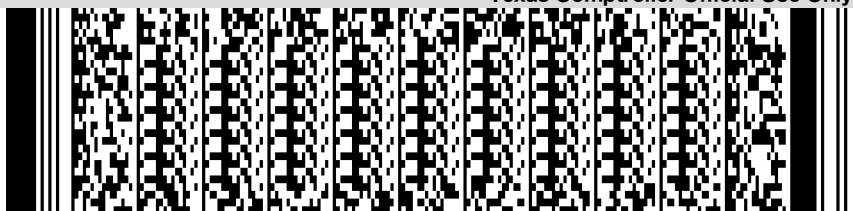
|                                                                                                         |                          |                                                                                                                                  |                                   |
|---------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution<br>STERNOCANDLELAMP HOLDINGS   | State of formation<br>DE | Texas SOS file number, if any<br>32059066467                                                                                     | Percentage of ownership<br>100.00 |
| Registered agent and registered office currently on file (see instructions if you need to make changes) |                          | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                                   |
| Agent:                                                                                                  | Office:                  | City                                                                                                                             | State ZIP Code                    |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution.

|           |              |                    |                                              |
|-----------|--------------|--------------------|----------------------------------------------|
| sign here | Title<br>CFO | Date<br>2021/06/11 | Area code and phone number<br>(951) 248-4100 |
|-----------|--------------|--------------------|----------------------------------------------|

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



142654C 080711

TX2021 05-158-A

Ver. 12.0 (Rev.9-16/9)

## Texas Franchise Tax Report - Page 1

Tcode 13250 ANNUAL

Taxpayer number

Report year

Due date

32059066467

2021

06/15/2021

|                                                                                                                                                                                                      |                    |                                                                                                                   |                                 |                                                               |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------------------------------------|--|
| Taxpayer name<br><b>STERNOCANDLELAMP HOLDINGS INC</b>                                                                                                                                                |                    |                                                                                                                   |                                 | Secretary of State file number<br>or Comptroller file number  |  |
| Mailing address<br><b>1880 COMPTON AVE 101</b>                                                                                                                                                       |                    |                                                                                                                   |                                 |                                                               |  |
| City<br><b>CORONA</b>                                                                                                                                                                                | State<br><b>CA</b> | Country<br><b>USA</b>                                                                                             | ZIP code plus 4<br><b>92881</b> | Check box if the address has changed <input type="checkbox"/> |  |
| Check box if this is a combined report <input checked="" type="checkbox"/>                                                                                                                           |                    | Check box if Total Revenue is adjusted for Tiered Partnership Election, see instructions <input type="checkbox"/> |                                 |                                                               |  |
| Is this entity a corporation, limited liability company, professional association, limited partnership or financial institution? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |                    |                                                                                                                   |                                 |                                                               |  |

\*\* If not twelve months, see instructions for annualized revenue

|                 |   |   |   |   |   |   |                 |   |   |   |   |   |   |          |            |
|-----------------|---|---|---|---|---|---|-----------------|---|---|---|---|---|---|----------|------------|
| Accounting year | m | m | d | d | y | y | Accounting year | m | m | d | d | y | y | SIC code | NAICS code |
| begin date**    | 0 | 1 | 0 | 1 | 2 | 0 | end date        | 1 | 2 | 3 | 1 | 2 | 0 |          | 339900     |

## REVENUE (Whole dollars only)

|                                                                    |      |              |
|--------------------------------------------------------------------|------|--------------|
| 1. Gross receipts or sales                                         | 1.■  | 319538549.00 |
| 2. Dividends                                                       | 2.■  | 0.00         |
| 3. Interest                                                        | 3.■  | 2096.00      |
| 4. Rents (can be negative amount)                                  | 4.■  | 0.00         |
| 5. Royalties                                                       | 5.■  | 0.00         |
| 6. Gains/losses (can be negative amount)                           | 6.■  | 0.00         |
| 7. Other income (can be negative amount)                           | 7.■  | 0.00         |
| 8. Total gross revenue (Add items 1 thru 7)                        | 8.■  | 319540645.00 |
| 9. Exclusions from gross revenue (see instructions)                | 9.■  | 0.00         |
| 10. TOTAL REVENUE (item 8 minus item 9 if less than zero, enter 0) | 10.■ | 319540645.00 |

## COST OF GOODS SOLD (Whole dollars only)

|                                                               |      |              |
|---------------------------------------------------------------|------|--------------|
| 11. Cost of goods sold                                        | 11.■ | 201637634.00 |
| 12. Indirect or administrative overhead costs (Limited to 4%) | 12.■ | 0.00         |
| 13. Other (see instructions)                                  | 13.■ | 0.00         |
| 14. TOTAL COST OF GOODS SOLD (Add items 11 thru 13)           | 14.■ | 201637634.00 |

## COMPENSATION (Whole dollars only)

|                                               |      |             |
|-----------------------------------------------|------|-------------|
| 15. Wages and cash compensation               | 15.■ | 26493523.00 |
| 16. Employee benefits                         | 16.■ | 2795993.00  |
| 17. Other (see instructions)                  | 17.■ | 0.00        |
| 18. TOTAL COMPENSATION (Add items 15 thru 17) | 18.■ | 29289516.00 |

Texas Comptroller Official Use Only



|         |                          |
|---------|--------------------------|
| VE/DE   | <input type="checkbox"/> |
| PM Date | <input type="text"/>     |



142654C 080712

TX2021 05-158-B

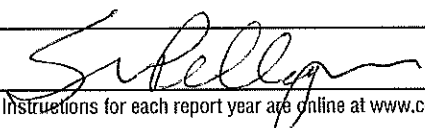
Ver. 12.0 (Rev. 9-16/9)

## Texas Franchise Tax Report - Page 2

Tcode 13251 ANNUAL

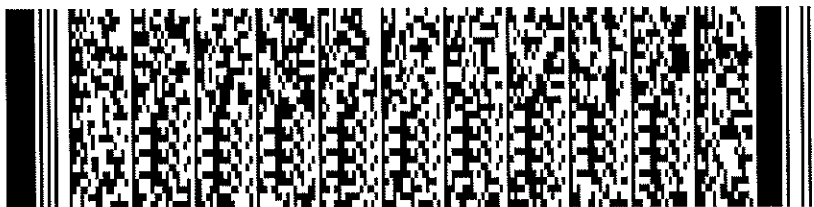
| Taxpayer number                                                                 | Report year | Due date   | Taxpayer name                 |
|---------------------------------------------------------------------------------|-------------|------------|-------------------------------|
| 32059066467                                                                     | 2021        | 06/15/2021 | STERNOCANDLELAMP HOLDINGS INC |
| <b>MARGIN (Whole dollars only)</b>                                              |             |            |                               |
| 19. 70% revenue (item 10 X .70)                                                 | 19. ■       |            | 223678452.00                  |
| 20. Revenue less COGS (item 10 - item 14)                                       | 20. ■       |            | 117903011.00                  |
| 21. Revenue less compensation (item 10 - item 18)                               | 21. ■       |            | 290251129.00                  |
| 22. Revenue less \$1 million (item 10 - \$1,000,000)                            | 22. ■       |            | 318540645.00                  |
| 23. MARGIN (see instructions)                                                   | 23. ■       |            | 117903011.00                  |
| <b>APPORTIONMENT FACTOR</b>                                                     |             |            |                               |
| 24. Gross receipts in Texas (Whole dollars only)                                | 24. ■       |            | 14466182.00                   |
| 25. Gross receipts everywhere (Whole dollars only)                              | 25. ■       |            | 319538550.00                  |
| 26. APPORTIONMENT FACTOR (Divide item 24 by item 25, round to 4 decimal places) | 26. ■       |            | 0.0453                        |
| <b>TAXABLE MARGIN (Whole dollars only)</b>                                      |             |            |                               |
| 27. Apportioned margin (Multiply item 23 by item 26)                            | 27. ■       |            | 5341006.00                    |
| 28. Allowable deductions (see instructions)                                     | 28. ■       |            | 0.00                          |
| 29. TAXABLE MARGIN (item 27 minus item 28)                                      | 29. ■       |            | 5341006.00                    |
| <b>TAX DUE</b>                                                                  |             |            |                               |
| 30. Tax rate (see instructions for determining the appropriate tax rate)        | X X X 30. ■ |            | 0.007500                      |
| 31. Tax due (Multiply item 29 by the tax rate in item 30) (Dollars and cents)   | 31. ■       |            | 40057.55                      |
| <b>TAX ADJUSTMENTS (Dollars and cents) (Do not include prior payments)</b>      |             |            |                               |
| 32. Tax credits (item 23 from Form 05-160 )                                     | 32. ■       |            | 0.00                          |
| 33. Tax due before discount (item 31 minus item 32)                             | 33. ■       |            | 40057.55                      |
| 34. Discount (see instructions, applicable to report years 2008 and 2009)       | 34. ■       |            | 0.00                          |
| <b>TOTAL TAX DUE (Dollars and cents)</b>                                        |             |            |                               |
| 35. TOTAL TAX DUE (item 33 minus item 34)                                       | 35. ■       |            | 40057.55                      |

Do not include payment if item 35 is less than \$1,000 or if annualized total revenue is less than the no tax due threshold (see instructions). If the entity makes a tiered partnership election, ANY amount in item 35 is due. Complete Form 05-170 if making a payment.

|                                                                                                                                 |             |                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------|
| Print or type name<br><b>STEVE PELLEGRINI</b>                                                                                   |             | Area code and phone number<br>(951) 248-4100                                                          |
| I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief. |             | Mail original to:<br>Texas Comptroller of Public Accounts<br>P.O. Box 149348<br>Austin, TX 78714-9348 |
| sign here ▶                                  | Date 5/6/21 |                                                                                                       |

Instructions for each report year are online at [www.comptroller.texas.gov/taxes/franchise/forms/](http://www.comptroller.texas.gov/taxes/franchise/forms/). If you have any questions, call 1-800-252-1381.

Texas Comptroller Official Use Only



VE/DE

PM Date



1019

142654C 080781

TX2021 05-166

Ver. 12.0 (Rev.9-16/7)

## Texas Franchise Tax Affiliate Schedule

Tcode 13253 ANNUAL

Reporting entity taxpayer number

Report year

Reporting entity taxpayer name

32059066467

2021

STERNOCANDLELAMP HOLDINGS INC

Reporting entity must be included on Affiliate Schedule. Affiliate reporting period dates must be within combined group's accounting period dates.

|                                                                                             |                                                                                         |                                                                              |  |                                                                      |  |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--|----------------------------------------------------------------------|--|
| 1. Legal name of affiliate<br><b>STERNOCANDLELAMP HOLDINGS INC</b>                          |                                                                                         | 2. Affiliate taxpayer number (if none, use FEI number)<br><b>32059066467</b> |  | 3. Affiliate NAICS code<br><b>339900</b>                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>         | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br><b>0 1 0 1 2 0</b>       |  | 7. Affiliate reporting end date<br>m m d d y y<br><b>1 2 3 1 2 0</b> |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br><b>0.00</b> |                                                                                         | 9. Gross receipts everywhere (before eliminations)<br><b>319538550.00</b>    |  |                                                                      |  |
| 10. Gross receipts in Texas (before eliminations)<br><b>14466182.00</b>                     |                                                                                         | 11. Cost of goods sold or compensation (before eliminations)<br><b>0.00</b>  |  |                                                                      |  |

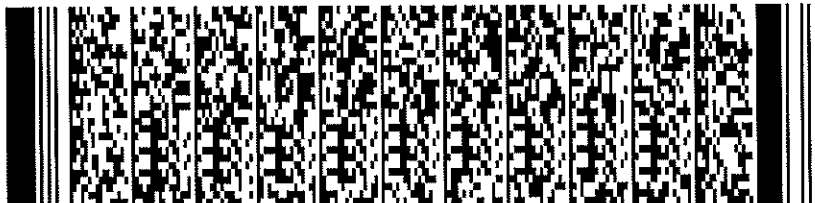
|                                                                                                |                                                                                                    |                                                                              |  |                                                                      |  |
|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--|----------------------------------------------------------------------|--|
| 1. Legal name of affiliate<br><b>THE STERNO GROUP LLC</b>                                      |                                                                                                    | 2. Affiliate taxpayer number (if none, use FEI number)<br><b>12056255545</b> |  | 3. Affiliate NAICS code<br><b>339900</b>                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input checked="" type="checkbox"/> | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input checked="" type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br><b>0 1 0 1 2 0</b>       |  | 7. Affiliate reporting end date<br>m m d d y y<br><b>1 2 3 1 2 0</b> |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br><b>0.00</b>    |                                                                                                    | 9. Gross receipts everywhere (before eliminations)<br><b>0.00</b>            |  |                                                                      |  |
| 10. Gross receipts in Texas (before eliminations)<br><b>0.00</b>                               |                                                                                                    | 11. Cost of goods sold or compensation (before eliminations)<br><b>0.00</b>  |  |                                                                      |  |

|                                                                                             |                                                                                                    |                                                                              |  |                                                                      |  |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--|----------------------------------------------------------------------|--|
| 1. Legal name of affiliate<br><b>STERNO HOME</b>                                            |                                                                                                    | 2. Affiliate taxpayer number (if none, use FEI number)<br><b>32067360696</b> |  | 3. Affiliate NAICS code<br><b>339900</b>                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>         | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input checked="" type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br><b>0 1 0 1 2 0</b>       |  | 7. Affiliate reporting end date<br>m m d d y y<br><b>1 2 3 1 2 0</b> |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br><b>0.00</b> |                                                                                                    | 9. Gross receipts everywhere (before eliminations)<br><b>0.00</b>            |  |                                                                      |  |
| 10. Gross receipts in Texas (before eliminations)<br><b>0.00</b>                            |                                                                                                    | 11. Cost of goods sold or compensation (before eliminations)<br><b>0.00</b>  |  |                                                                      |  |

The reporting entity of a combined group with a temporary credit for business loss and carryforwards preserved for itself and/or affiliates must submit common owner information. This information must be provided to satisfy franchise tax reporting requirements. Learn more at [www.comptroller.texas.gov/taxes/franchise/](http://www.comptroller.texas.gov/taxes/franchise/). An information report (Form 05-102 or Form 05-167) must be filed for each affiliate that is organized in Texas or that has a physical presence in Texas.

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1019

142654C 080781

TX2021 05-166

Ver. 12.0 (Rev.9-16/7)

## Texas Franchise Tax Affiliate Schedule

Tcode 13253 ANNUAL

Reporting entity taxpayer number

Report year

Reporting entity taxpayer name

32059066467

2021

STERNOCANDLELAMP HOLDINGS INC

Reporting entity must be included on Affiliate Schedule. Affiliate reporting period dates must be within combined group's accounting period dates.

|                                                                                                |                                                                                         |                                                                              |  |                                                                      |  |
|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--|----------------------------------------------------------------------|--|
| 1. Legal name of affiliate<br><b>RIMPORTS LLC</b>                                              |                                                                                         | 2. Affiliate taxpayer number (if none, use FEI number)<br><b>32069826355</b> |  | 3. Affiliate NAICS code<br><b>451120</b>                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input checked="" type="checkbox"/> | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br><b>0 1 0 1 2 0</b>       |  | 7. Affiliate reporting end date<br>m m d d y y<br><b>1 2 3 1 2 0</b> |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br><b>0.00</b>    |                                                                                         | 9. Gross receipts everywhere (before eliminations)<br><b>0.00</b>            |  |                                                                      |  |
| 10. Gross receipts in Texas (before eliminations)<br><b>0.00</b>                               |                                                                                         | 11. Cost of goods sold or compensation (before eliminations)<br><b>0.00</b>  |  |                                                                      |  |

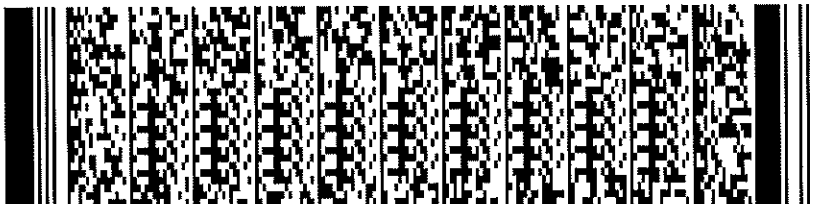
|                                                                                             |                                                                                         |                                                                             |  |                                                |  |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|--|------------------------------------------------|--|
| 1. Legal name of affiliate                                                                  |                                                                                         | 2. Affiliate taxpayer number (if none, use FEI number)                      |  | 3. Affiliate NAICS code                        |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>         | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y                            |  | 7. Affiliate reporting end date<br>m m d d y y |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br><b>0.00</b> |                                                                                         | 9. Gross receipts everywhere (before eliminations)<br><b>0.00</b>           |  |                                                |  |
| 10. Gross receipts in Texas (before eliminations)<br><b>0.00</b>                            |                                                                                         | 11. Cost of goods sold or compensation (before eliminations)<br><b>0.00</b> |  |                                                |  |

|                                                                                             |                                                                                         |                                                                             |  |                                                |  |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|--|------------------------------------------------|--|
| 1. Legal name of affiliate                                                                  |                                                                                         | 2. Affiliate taxpayer number (if none, use FEI number)                      |  | 3. Affiliate NAICS code                        |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>         | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y                            |  | 7. Affiliate reporting end date<br>m m d d y y |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br><b>0.00</b> |                                                                                         | 9. Gross receipts everywhere (before eliminations)<br><b>0.00</b>           |  |                                                |  |
| 10. Gross receipts in Texas (before eliminations)<br><b>0.00</b>                            |                                                                                         | 11. Cost of goods sold or compensation (before eliminations)<br><b>0.00</b> |  |                                                |  |

The reporting entity of a combined group with a temporary credit for business loss and carryforwards preserved for itself and/or affiliates must submit common owner information. This information must be provided to satisfy franchise tax reporting requirements. Learn more at [www.comptroller.texas.gov/taxes/franchise/](http://www.comptroller.texas.gov/taxes/franchise/). An information report (Form 05-102 or Form 05-167) must be filed for each affiliate that is organized in Texas or that has a physical presence in Texas.

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1019



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|--------------------------------------------------------------|--------|
| Certified Mail Fee                                           | \$3.60 |
| Extra Services & Fees (check box, add fees as appropriate)   | \$2.95 |
| <input type="checkbox"/> Return Receipt (hardcopy)           | \$0.00 |
| <input type="checkbox"/> Return Receipt (electronic)         | \$0.00 |
| <input type="checkbox"/> Certified Mail Restricted Delivery  | \$0.00 |
| <input type="checkbox"/> Adult Signature Required            | \$0.00 |
| <input type="checkbox"/> Adult Signature Restricted Delivery | \$0.00 |
| Postage                                                      | \$1.20 |
| Total Postage and Fees                                       | \$7.65 |

Sent to  
TX Comptroller of Public Accounts  
PO Box 149348  
Austin, TX 78714-9348

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

Attachment: 2023-117 ATTH 01 Chap. 380 App - Sterno (4079 : 2023-117 RES Ch. 380 for existing local business)



**2022 TAX RETURN FILING INSTRUCTIONS**

TEXAS FORM 05-158-A/05-158-B AND 05-102

**FOR THE YEAR ENDING**  
**DECEMBER 31, 2021**

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                        |                                |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----|-----------|----------------------------|----|------|--------------------|----|------|------------------------------|----|------|--------------------|-----------|------------------|
| <b>Prepared for</b>                                 | STERNOCANDLELAMP HOLDINGS INC<br>1880 COMPTON AVE 101<br>CORONA, CA 92881                                                                                                                                                                                                                                                                                                              |                                |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| <b>Prepared by</b>                                  | WYSON & COMPANY INC<br>2900 BRISTOL ST, STE D209<br>COSTA MESA, CA 92626                                                                                                                                                                                                                                                                                                               |                                |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| <b>To be signed and dated by</b>                    | THE APPROPRIATE CORPORATE OFFICER(S).                                                                                                                                                                                                                                                                                                                                                  |                                |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| <b>Amount of tax</b>                                | <table> <tr> <td>Total tax</td> <td>\$</td> <td>35,236.78</td> </tr> <tr> <td>Less: payments and credits</td> <td>\$</td> <td>0.00</td> </tr> <tr> <td>Plus: other amount</td> <td>\$</td> <td>0.00</td> </tr> <tr> <td>Plus: interest and penalties</td> <td>\$</td> <td>0.00</td> </tr> <tr> <td><b>BALANCE DUE</b></td> <td><b>\$</b></td> <td><b>35,236.78</b></td> </tr> </table> | Total tax                      | \$ | 35,236.78 | Less: payments and credits | \$ | 0.00 | Plus: other amount | \$ | 0.00 | Plus: interest and penalties | \$ | 0.00 | <b>BALANCE DUE</b> | <b>\$</b> | <b>35,236.78</b> |
| Total tax                                           | \$                                                                                                                                                                                                                                                                                                                                                                                     | 35,236.78                      |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| Less: payments and credits                          | \$                                                                                                                                                                                                                                                                                                                                                                                     | 0.00                           |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| Plus: other amount                                  | \$                                                                                                                                                                                                                                                                                                                                                                                     | 0.00                           |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| Plus: interest and penalties                        | \$                                                                                                                                                                                                                                                                                                                                                                                     | 0.00                           |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| <b>BALANCE DUE</b>                                  | <b>\$</b>                                                                                                                                                                                                                                                                                                                                                                              | <b>35,236.78</b>               |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| <b>Overpayment</b>                                  | <table> <tr> <td>Credited to your estimated tax</td> <td>\$</td> <td>0.00</td> </tr> <tr> <td>Other amount</td> <td>\$</td> <td>0.00</td> </tr> <tr> <td>Refunded to you</td> <td>\$</td> <td>0.00</td> </tr> </table>                                                                                                                                                                 | Credited to your estimated tax | \$ | 0.00      | Other amount               | \$ | 0.00 | Refunded to you    | \$ | 0.00 |                              |    |      |                    |           |                  |
| Credited to your estimated tax                      | \$                                                                                                                                                                                                                                                                                                                                                                                     | 0.00                           |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| Other amount                                        | \$                                                                                                                                                                                                                                                                                                                                                                                     | 0.00                           |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| Refunded to you                                     | \$                                                                                                                                                                                                                                                                                                                                                                                     | 0.00                           |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| <b>Make check payable to</b>                        | WHEN THE RETURN IS FILED THE AMOUNT DUE SHOULD BE ELECTRONICALLY TRANSFERRED.                                                                                                                                                                                                                                                                                                          |                                |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| <b>Mail tax return and check (if applicable) to</b> | TEXAS COMPTROLLER OF PUBLIC ACCTS<br>P.O. BOX 149348<br>AUSTIN, TX 78714-9348                                                                                                                                                                                                                                                                                                          |                                |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| <b>Return must be mailed on or before</b>           | MAY 16, 2022                                                                                                                                                                                                                                                                                                                                                                           |                                |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |
| <b>Special Instructions</b>                         | <p>PAYMENT OF TAX MUST BE MADE ELECTRONICALLY VIA THE TEXAS COMPTROLLER WEBSITE AT:</p> <p>WWW.COMPTROLLER.TEXAS.GOV<br/>/TAXES/FRANCHISE/FILING-REQUIREMENTS.PHP</p> <p>PLEASE, DO NOT STAPLE ANY PART OF THE RETURN TOGETHER.</p> <p>THE APPROPRIATE CORPORATE OFFICER(S) SHOULD SIGN AND DATE THE 05-102 - PUBLIC INFORMATION REPORT AND MAIL IT WITH THE RETURN.</p>               |                                |    |           |                            |    |      |                    |    |      |                              |    |      |                    |           |                  |

## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),

Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,

Government Code, to review, request and correct information

we have on file about you. Contact us at 1-800-252-1381.

32059066467

2022

|                                              |          |                                                                        |  |
|----------------------------------------------|----------|------------------------------------------------------------------------|--|
| Taxpayer name STERNO CandleLAMP HOLDINGS INC |          | <input type="checkbox"/> Check box if the mailing address has changed. |  |
| Mailing address<br>1880 COMPTON AVE 101      |          | Secretary of State (SOS) file number or<br>Comptroller file number     |  |
| City CORONA                                  | State CA | ZIP code plus 4 92881                                                  |  |

☐ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                                    |
|--------------------------------------------------------------------|
| Principal office 1880 COMPTON AVE 101, CORONA, CA 92881            |
| Principal place of business 1880 COMPTON AVE 101, CORONA, CA 92881 |

You must report officer, director, member, general partner and manager information as of the date you complete this report.

**Please sign below!**

3205906646722

**This report must be signed to satisfy franchise tax requirements.****SECTION A** Name, title and mailing address of each officer, director, member, general partner or manager.

|                                      |                                     |                                                     |                                |
|--------------------------------------|-------------------------------------|-----------------------------------------------------|--------------------------------|
| Name<br><b>CRAIG CARNES</b>          | Title<br><b>CEO &amp; PRESIDENT</b> | Director<br><input type="checkbox"/> YES            | Term expiration<br>m m d d y y |
| Mailing address 1880 COMPTON AVE 101 | City CORONA                         | State CA                                            | ZIP Code 92881                 |
| Name<br><b>ALEX COPPERSMITH</b>      | Title<br><b>CFO</b>                 | Director<br><input type="checkbox"/> YES            | Term expiration<br>m m d d y y |
| Mailing address 1880 COMPTON AVE 101 | City CORONA                         | State CA                                            | ZIP Code 92881                 |
| Name<br><b>PATRICK MACIARIELLO</b>   | Title<br><b>TREASURER</b>           | Director<br><input checked="" type="checkbox"/> YES | Term expiration<br>1 2 3 1 2 4 |
| Mailing address 1880 COMPTON AVE 101 | City CORONA                         | State CA                                            | ZIP Code 92881                 |

**SECTION B** Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                                                                 |                                 |                                                   |                                          |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------------------------|------------------------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution<br><b>THE STERNO GROUP LLC</b>     | State of formation<br><b>DE</b> | Texas SOS file number, if any<br><b>800762197</b> | Percentage of ownership<br><b>100.00</b> |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution<br><b>CANDLE LAMP COMPANY, LLC</b> | State of formation<br><b>DE</b> | Texas SOS file number, if any                     | Percentage of ownership<br><b>100.00</b> |

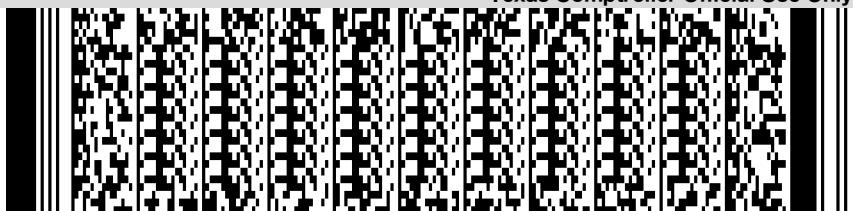
**SECTION C** Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

|                                                                                                         |                    |                                                                                                                                  |                         |
|---------------------------------------------------------------------------------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution                                | State of formation | Texas SOS file number, if any                                                                                                    | Percentage of ownership |
| Registered agent and registered office currently on file (see instructions if you need to make changes) |                    |                                                                                                                                  |                         |
| Agent:                                                                                                  |                    | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                         |
| Office:                                                                                                 | City               | State                                                                                                                            | ZIP Code                |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

|                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |                           |                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------|-----------------------------------------------------|
| I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution. |                     |                           |                                                     |
| sign here <b>Alex Coppersmith</b>                                                                                                                                                                                                                                                                                                                                                                                  | Title<br><b>CFO</b> | Date<br><b>05/13/2022</b> | Area code and phone number<br><b>(951) 248-4100</b> |

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



## TX 05-102 (Section A Continuation)

STERNOCANDLELAMP HOLDINGS INC

32059066467

|                                             |                                |                                          |                       |
|---------------------------------------------|--------------------------------|------------------------------------------|-----------------------|
| Name<br><b>SHANE PECK</b>                   | Title<br><b>SVP OPERATIONS</b> | Director<br><input type="checkbox"/> YES | Term expiration       |
| Mailing address <b>1880 COMPTON AVE 101</b> | City <b>CORONA</b>             | State <b>CA</b>                          | ZIP Code <b>92881</b> |

|                                             |                         |                                          |                       |
|---------------------------------------------|-------------------------|------------------------------------------|-----------------------|
| Name<br><b>SCOTT RYLKO</b>                  | Title<br><b>OFFICER</b> | Director<br><input type="checkbox"/> YES | Term expiration       |
| Mailing address <b>1880 COMPTON AVE 101</b> | City <b>CORONA</b>      | State <b>CA</b>                          | ZIP Code <b>92881</b> |

|                                             |                         |                                          |                       |
|---------------------------------------------|-------------------------|------------------------------------------|-----------------------|
| Name<br><b>DAVID AMIRAULT</b>               | Title<br><b>OFFICER</b> | Director<br><input type="checkbox"/> YES | Term expiration       |
| Mailing address <b>1880 COMPTON AVE 101</b> | City <b>CORONA</b>      | State <b>CA</b>                          | ZIP Code <b>92881</b> |

|                 |       |                                          |                 |
|-----------------|-------|------------------------------------------|-----------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration |
| Mailing address | City  | State                                    | ZIP Code        |

|                 |       |                                          |                 |
|-----------------|-------|------------------------------------------|-----------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration |
| Mailing address | City  | State                                    | ZIP Code        |

|                 |       |                                          |                 |
|-----------------|-------|------------------------------------------|-----------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration |
| Mailing address | City  | State                                    | ZIP Code        |

|                 |       |                                          |                 |
|-----------------|-------|------------------------------------------|-----------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration |
| Mailing address | City  | State                                    | ZIP Code        |

|                 |       |                                          |                 |
|-----------------|-------|------------------------------------------|-----------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration |
| Mailing address | City  | State                                    | ZIP Code        |

|                 |       |                                          |                 |
|-----------------|-------|------------------------------------------|-----------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration |
| Mailing address | City  | State                                    | ZIP Code        |

|                 |       |                                          |                 |
|-----------------|-------|------------------------------------------|-----------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration |
| Mailing address | City  | State                                    | ZIP Code        |

|                 |       |                                          |                 |
|-----------------|-------|------------------------------------------|-----------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration |
| Mailing address | City  | State                                    | ZIP Code        |

Attachment: 2023-117 ATTH 01 Chap. 380 App - Sterno (4079 : 2023-117 RES Ch. 380 for existing local business)



## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),

Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,

Government Code, to review, request and correct information

we have on file about you. Contact us at 1-800-252-1381.

12056255545

2022

|                                              |          |                                                                        |            |
|----------------------------------------------|----------|------------------------------------------------------------------------|------------|
| Taxpayer name THE STERNO GROUP LLC           |          | <input type="checkbox"/> Check box if the mailing address has changed. |            |
| Mailing address<br>1880 COMPTON AVE, STE 101 |          | Secretary of State (SOS) file number or<br>Comptroller file number     |            |
| City CORONA                                  | State CA | ZIP code plus 4 928812780                                              | 0800762197 |

☒ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                                        |
|------------------------------------------------------------------------|
| Principal office 1880 COMPTON AVE, STE 101 CORONA, CA 92881            |
| Principal place of business 1880 COMPTON AVE, STE 101 CORONA, CA 92881 |



You must report officer, director, member, general partner and manager information as of the date you complete this report.

**Please sign below!****This report must be signed to satisfy franchise tax requirements.**

1205625554522

**SECTION A** Name, title and mailing address of each officer, director, member, general partner or manager.

|                 |       |                                          |                 |             |
|-----------------|-------|------------------------------------------|-----------------|-------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code        |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code        |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code        |             |

**SECTION B** Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                              |                    |                               |                         |
|------------------------------------------------------------------------------|--------------------|-------------------------------|-------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |

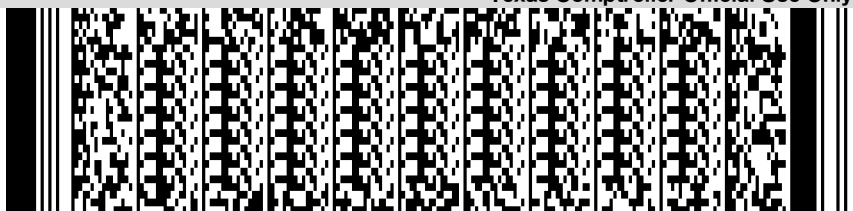
**SECTION C** Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

|                                                                                                         |                          |                                                                                                                                  |                                   |
|---------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution<br>STERNOCANDLELAMP HOLDINGS   | State of formation<br>DE | Texas SOS file number, if any<br>32059066467                                                                                     | Percentage of ownership<br>100.00 |
| Registered agent and registered office currently on file (see instructions if you need to make changes) |                          | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                                   |
| Agent:                                                                                                  | Office:                  | City                                                                                                                             | State ZIP Code                    |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

|                                                                                                                                                                                                                                                                                                                                                                                                                    |              |                    |                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------|----------------------------------------------|
| I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution. |              |                    |                                              |
| sign here                                                                                                                                                                                                                                                                                                                                                                                                          | Title<br>CFO | Date<br>05/13/2022 | Area code and phone number<br>(951) 248-4100 |

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



TX2022 05-102  
Ver. 13.0 (Rev.9-15/33)

## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),  
Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,  
Government Code, to review, request and correct information  
we have on file about you. Contact us at 1-800-252-1381.

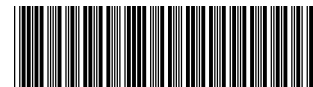
32067360696

2022

|                                              |          |                                                                        |  |
|----------------------------------------------|----------|------------------------------------------------------------------------|--|
| Taxpayer name STERNO HOME                    |          | <input type="checkbox"/> Check box if the mailing address has changed. |  |
| Mailing address<br>1880 COMPTON AVE, STE 101 |          | Secretary of State (SOS) file number or<br>Comptroller file number     |  |
| City CORONA                                  | State CA | ZIP code plus 4 928812780                                              |  |

☒ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                                         |
|-------------------------------------------------------------------------|
| Principal office 1880 COMPTON AVE, STE 101 CORONA, CA 92881             |
| Principal place of business 1 BURBIDGE ST, STE 101 COQUITLAM BC, CANADA |



3206736069622

You must report officer, director, member, general partner and manager information as of the date you complete this report.

Please sign below!

This report must be signed to satisfy franchise tax requirements.

## SECTION A Name, title and mailing address of each officer, director, member, general partner or manager.

|                 |       |                                          |                    |             |
|-----------------|-------|------------------------------------------|--------------------|-------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |

## SECTION B Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                              |                    |                               |                         |
|------------------------------------------------------------------------------|--------------------|-------------------------------|-------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |

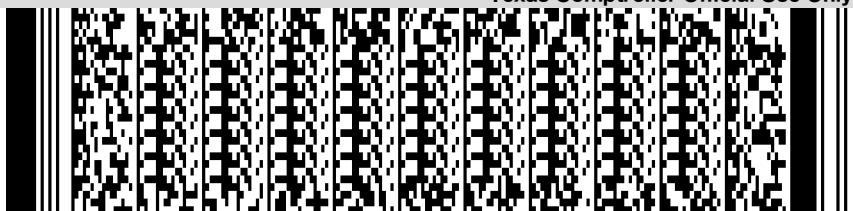
## SECTION C Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

|                                                                                                                   |                          |                                                                                                                                  |                                   |
|-------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution<br>STERNOCANDLELAMP HOLDINGS             | State of formation<br>DE | Texas SOS file number, if any<br>32059066467                                                                                     | Percentage of ownership<br>100.00 |
| Registered agent and registered office currently on file (see instructions if you need to make changes)<br>Agent: |                          | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                                   |
| Office:                                                                                                           | City                     | State                                                                                                                            | ZIP Code                          |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

|                                                                                                                                                                                                                                                                                                                                                                                                                    |              |                    |                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------|----------------------------------------------|
| I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution. |              |                    |                                              |
| sign here                                                                                                                                                                                                                                                                                                                                                                                                          | Title<br>CFO | Date<br>05/13/2022 | Area code and phone number<br>(951) 248-4100 |

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



TX2022 05-102  
Ver. 13.0 (Rev.9-15/33)

## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),  
Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,  
Government Code, to review, request and correct information  
we have on file about you. Contact us at 1-800-252-1381.

32069826355

2022

|                                              |          |                                                                        |  |
|----------------------------------------------|----------|------------------------------------------------------------------------|--|
| Taxpayer name RIMPORTS LLC                   |          | <input type="checkbox"/> Check box if the mailing address has changed. |  |
| Mailing address<br>1880 COMPTON AVE, STE 101 |          | Secretary of State (SOS) file number or<br>Comptroller file number     |  |
| City CORONA                                  | State CA | ZIP code plus 4 928812780                                              |  |

☒ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.Principal office 1880 COMPTON AVE, STE 101 CORONA, CA 92881  
Principal place of business 201 E BAY BLVD PROVO, UT 84606

3206982635522

You must report officer, director, member, general partner and manager information as of the date you complete this report.

Please sign below!

This report must be signed to satisfy franchise tax requirements.

## SECTION A Name, title and mailing address of each officer, director, member, general partner or manager.

|                 |       |                                          |                    |             |
|-----------------|-------|------------------------------------------|--------------------|-------------|
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |
| Name            | Title | Director<br><input type="checkbox"/> YES | Term<br>expiration | m m d d y y |
| Mailing address | City  | State                                    | ZIP Code           |             |

## SECTION B Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                              |                    |                               |                         |
|------------------------------------------------------------------------------|--------------------|-------------------------------|-------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |

## SECTION C Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

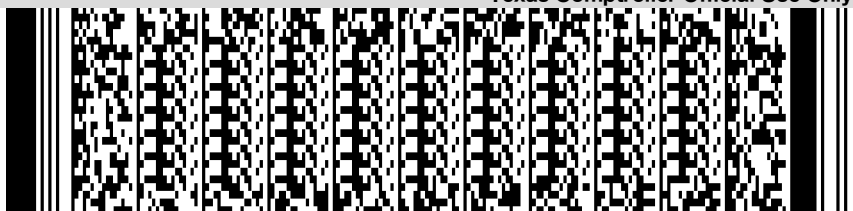
|                                                                                                                   |                          |                                                                                                                                  |                                   |
|-------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution<br>STERNOCANDLELAMP HOLDINGS             | State of formation<br>DE | Texas SOS file number, if any<br>32059066467                                                                                     | Percentage of ownership<br>100.00 |
| Registered agent and registered office currently on file (see instructions if you need to make changes)<br>Agent: |                          | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                                   |
| Office:                                                                                                           | City                     | State                                                                                                                            | ZIP Code                          |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution.

|           |              |                    |                                              |
|-----------|--------------|--------------------|----------------------------------------------|
| sign here | Title<br>CFO | Date<br>05/13/2022 | Area code and phone number<br>(951) 248-4100 |
|-----------|--------------|--------------------|----------------------------------------------|

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|





## Texas Franchise Tax Report - Page 1

Tcode 13250 ANNUAL

Taxpayer number

Report year

Due date

32059066467

2022

05/16/2022

|                                                                                                                                                                                                      |                    |                                                                                                                   |                                 |                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------------------------------------|
| Taxpayer name<br><b>STERNOCANDLELAMP HOLDINGS INC</b>                                                                                                                                                |                    |                                                                                                                   |                                 | Secretary of State file number<br>or Comptroller file number  |
| Mailing address<br><b>1880 COMPTON AVE 101</b>                                                                                                                                                       |                    |                                                                                                                   |                                 |                                                               |
| City<br><b>CORONA</b>                                                                                                                                                                                | State<br><b>CA</b> | Country<br><b>USA</b>                                                                                             | ZIP code plus 4<br><b>92881</b> | Check box if the address has changed <input type="checkbox"/> |
| Check box if this is a combined report <input checked="" type="checkbox"/>                                                                                                                           |                    | Check box if Total Revenue is adjusted for Tiered Partnership Election, see instructions <input type="checkbox"/> |                                 |                                                               |
| Is this entity a corporation, limited liability company, professional association, limited partnership or financial institution? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |                    |                                                                                                                   |                                 |                                                               |

\*\* If not twelve months, see instructions for annualized revenue

|                 |   |   |   |   |   |   |                 |   |   |   |   |   |   |          |            |
|-----------------|---|---|---|---|---|---|-----------------|---|---|---|---|---|---|----------|------------|
| Accounting year | m | m | d | d | y | y | Accounting year | m | m | d | d | y | y | SIC code | NAICS code |
| begin date**    | 0 | 1 | 0 | 1 | 2 | 1 | end date        | 1 | 2 | 3 | 1 | 2 | 1 |          | 339900     |

## REVENUE (Whole dollars only)

|                                                                    |      |              |
|--------------------------------------------------------------------|------|--------------|
| 1. Gross receipts or sales                                         | 1.■  | 329472909.00 |
| 2. Dividends                                                       | 2.■  | 0.00         |
| 3. Interest                                                        | 3.■  | 729.00       |
| 4. Rents (can be negative amount)                                  | 4.■  | 0.00         |
| 5. Royalties                                                       | 5.■  | 0.00         |
| 6. Gains/losses (can be negative amount)                           | 6.■  | 0.00         |
| 7. Other income (can be negative amount)                           | 7.■  | 0.00         |
| 8. Total gross revenue (Add items 1 thru 7)                        | 8.■  | 329473638.00 |
| 9. Exclusions from gross revenue (see instructions)                | 9.■  | 0.00         |
| 10. TOTAL REVENUE (item 8 minus item 9 if less than zero, enter 0) | 10.■ | 329473638.00 |

## COST OF GOODS SOLD (Whole dollars only)

|                                                               |      |              |
|---------------------------------------------------------------|------|--------------|
| 11. Cost of goods sold                                        | 11.■ | 208696319.00 |
| 12. Indirect or administrative overhead costs (Limited to 4%) | 12.■ | 0.00         |
| 13. Other (see instructions)                                  | 13.■ | 0.00         |
| 14. TOTAL COST OF GOODS SOLD (Add items 11 thru 13)           | 14.■ | 208696319.00 |

## COMPENSATION (Whole dollars only)

|                                               |      |             |
|-----------------------------------------------|------|-------------|
| 15. Wages and cash compensation               | 15.■ | 13449843.00 |
| 16. Employee benefits                         | 16.■ | 3469788.00  |
| 17. Other (see instructions)                  | 17.■ | 0.00        |
| 18. TOTAL COMPENSATION (Add items 15 thru 17) | 18.■ | 16919631.00 |

Texas Comptroller Official Use Only



|         |                          |
|---------|--------------------------|
| VE/DE   | <input type="checkbox"/> |
| PM Date | <input type="text"/>     |

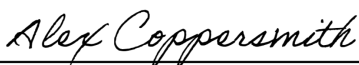


1019

Tcode 13251 ANNUAL

|                                                                                 |               |            |                               |
|---------------------------------------------------------------------------------|---------------|------------|-------------------------------|
| ■ Taxpayer number                                                               | ■ Report year | Due date   | Taxpayer name                 |
| 32059066467                                                                     | 2022          | 05/16/2022 | STERNOCANDLELAMP HOLDINGS INC |
| <b>MARGIN</b> (Whole dollars only)                                              |               |            |                               |
| 19. 70% revenue (item 10 X .70)                                                 | 19. ■         |            | 230631547.00                  |
| 20. Revenue less COGS (item 10 - item 14)                                       | 20. ■         |            | 120777319.00                  |
| 21. Revenue less compensation (item 10 - item 18)                               | 21. ■         |            | 312554007.00                  |
| 22. Revenue less \$1 million (item 10 - \$1,000,000)                            | 22. ■         |            | 328473638.00                  |
| 23. MARGIN (see instructions)                                                   | 23. ■         |            | 120777319.00                  |
| <b>APPORTIONMENT FACTOR</b>                                                     |               |            |                               |
| 24. Gross receipts in Texas (Whole dollars only)                                | 24. ■         |            | 14183878.00                   |
| 25. Gross receipts everywhere (Whole dollars only)                              | 25. ■         |            | 364895729.00                  |
| 26. APPORTIONMENT FACTOR (Divide item 24 by item 25, round to 4 decimal places) | 26. ■         |            | 0.0389                        |
| <b>TAXABLE MARGIN</b> (Whole dollars only)                                      |               |            |                               |
| 27. Apportioned margin (Multiply item 23 by item 26)                            | 27. ■         |            | 4698238.00                    |
| 28. Allowable deductions (see instructions)                                     | 28. ■         |            | 0.00                          |
| 29. TAXABLE MARGIN (item 27 minus item 28)                                      | 29. ■         |            | 4698238.00                    |
| <b>TAX DUE</b>                                                                  |               |            |                               |
| 30. Tax rate (see instructions for determining the appropriate tax rate)        |               | X X X      | 30. ■ 0.007500                |
| 31. Tax due (Multiply item 29 by the tax rate in item 30) (Dollars and cents)   | 31. ■         |            | 35236.78                      |
| <b>TAX ADJUSTMENTS</b> (Dollars and cents) (Do not include prior payments)      |               |            |                               |
| 32. Tax credits (item 23 from Form 05-160 )                                     | 32. ■         |            | 0.00                          |
| 33. Tax due before discount (item 31 minus item 32)                             | 33. ■         |            | 35236.78                      |
| 34. Discount (see instructions, applicable to report years 2008 and 2009)       | 34. ■         |            | 0.00                          |
| <b>TOTAL TAX DUE</b> (Dollars and cents)                                        |               |            |                               |
| 35. TOTAL TAX DUE (item 33 minus item 34)                                       | 35. ■         |            | 35236.78                      |

Do not include payment if item 35 is less than \$1,000 or if annualized total revenue is less than the no tax due threshold (see instructions). If the entity makes a tiered partnership election, ANY amount in item 35 is due. Complete Form 05-170 if making a payment.

|                                                                                                                                 |                    |                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------|
| Print or type name<br><b>ALEX COPPERSMITH</b>                                                                                   |                    | Area code and phone number<br>(951) 248-4100                                                                 |
| I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief. |                    | <b>Mail original to:</b><br>Texas Comptroller of Public Accounts<br>P.O. Box 149348<br>Austin, TX 78714-9348 |
| sign here                                    | Date<br>05/13/2022 |                                                                                                              |

Instructions for each report year are online at [www.comptroller.texas.gov/taxes/franchise/forms/](http://www.comptroller.texas.gov/taxes/franchise/forms/). If you have any questions, call 1-800-252-1381.

Texas Comptroller Official Use Only



VE/DE

PM Date



1019

## Texas Franchise Tax Affiliate Schedule

Tcode 13253 ANNUAL

Reporting entity taxpayer number

Report year

Reporting entity taxpayer name

32059066467

2022

STERNOCANDLELAMP HOLDINGS INC

Reporting entity must be included on Affiliate Schedule. Affiliate reporting period dates must be within combined group's accounting period dates.

|                                                                                      |                                                                                         |                                                                       |  |                                                               |  |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--|---------------------------------------------------------------|--|
| 1. Legal name of affiliate<br>STERNOCANDLELAMP HOLDINGS INC                          |                                                                                         | 2. Affiliate taxpayer number (if none, use FEI number)<br>32059066467 |  | 3. Affiliate NAICS code<br>339900                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>  | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br>0 1 0 1 2 1       |  | 7. Affiliate reporting end date<br>m m d d y y<br>1 2 3 1 2 1 |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00 |                                                                                         | 9. Gross receipts everywhere (before eliminations)<br>364895728.00    |  |                                                               |  |
| 10. Gross receipts in Texas (before eliminations)<br>18244786.00                     |                                                                                         | 11. Cost of goods sold or compensation (before eliminations)<br>0.00  |  |                                                               |  |

|                                                                                                |                                                                                                    |                                                                       |  |                                                               |  |
|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--|---------------------------------------------------------------|--|
| 1. Legal name of affiliate<br>THE STERNO GROUP LLC                                             |                                                                                                    | 2. Affiliate taxpayer number (if none, use FEI number)<br>12056255545 |  | 3. Affiliate NAICS code<br>339900                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input checked="" type="checkbox"/> | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input checked="" type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br>0 1 0 1 2 1       |  | 7. Affiliate reporting end date<br>m m d d y y<br>1 2 3 1 2 1 |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00           |                                                                                                    | 9. Gross receipts everywhere (before eliminations)<br>0.00            |  |                                                               |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                                      |                                                                                                    | 11. Cost of goods sold or compensation (before eliminations)<br>0.00  |  |                                                               |  |

|                                                                                      |                                                                                                    |                                                                       |  |                                                               |  |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--|---------------------------------------------------------------|--|
| 1. Legal name of affiliate<br>STERNO HOME                                            |                                                                                                    | 2. Affiliate taxpayer number (if none, use FEI number)<br>32067360696 |  | 3. Affiliate NAICS code<br>339900                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>  | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input checked="" type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br>0 1 0 1 2 1       |  | 7. Affiliate reporting end date<br>m m d d y y<br>1 2 3 1 2 1 |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00 |                                                                                                    | 9. Gross receipts everywhere (before eliminations)<br>0.00            |  |                                                               |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                            |                                                                                                    | 11. Cost of goods sold or compensation (before eliminations)<br>0.00  |  |                                                               |  |

The reporting entity of a combined group with a temporary credit for business loss and carryforwards preserved for itself and/or affiliates must submit common owner information. This information must be provided to satisfy franchise tax reporting requirements. Learn more at [www.comptroller.texas.gov/taxes/franchise/](http://www.comptroller.texas.gov/taxes/franchise/). An information report (Form 05-102 or Form 05-167) must be filed for each affiliate that is organized in Texas or that has a physical presence in Texas.

Texas Comptroller Official Use Only

VE/DE ☐ ☐ FM ☐ ☐

1019

## Texas Franchise Tax Affiliate Schedule

Tcode 13253 ANNUAL

Reporting entity taxpayer number

Report year

Reporting entity taxpayer name

32059066467

2022

STERNOCANDLELAMP HOLDINGS INC

Reporting entity must be included on Affiliate Schedule. Affiliate reporting period dates must be within combined group's accounting period dates.

|                                                                                                |                                                                                         |                                                                       |  |                                                               |  |
|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--|---------------------------------------------------------------|--|
| 1. Legal name of affiliate<br>RIMPORTS LLC                                                     |                                                                                         | 2. Affiliate taxpayer number (if none, use FEI number)<br>32069826355 |  | 3. Affiliate NAICS code<br>451120                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input checked="" type="checkbox"/> | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br>0 1 0 1 2 1       |  | 7. Affiliate reporting end date<br>m m d d y y<br>1 2 3 1 2 1 |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00           |                                                                                         | 9. Gross receipts everywhere (before eliminations)<br>0.00            |  |                                                               |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                                      |                                                                                         | 11. Cost of goods sold or compensation (before eliminations)<br>0.00  |  |                                                               |  |

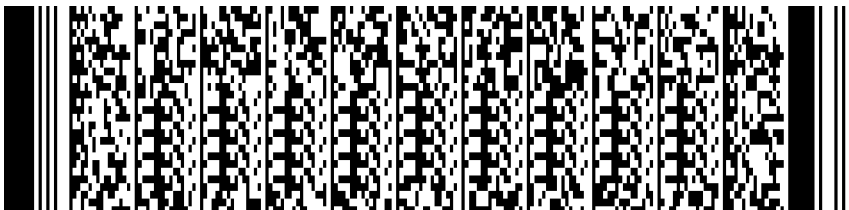
|                                                                                      |                                                                                         |                                                                      |  |                                                |  |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------|--|------------------------------------------------|--|
| 1. Legal name of affiliate                                                           |                                                                                         | 2. Affiliate taxpayer number (if none, use FEI number)               |  | 3. Affiliate NAICS code                        |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>  | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y                     |  | 7. Affiliate reporting end date<br>m m d d y y |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00 |                                                                                         | 9. Gross receipts everywhere (before eliminations)<br>0.00           |  |                                                |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                            |                                                                                         | 11. Cost of goods sold or compensation (before eliminations)<br>0.00 |  |                                                |  |

|                                                                                      |                                                                                         |                                                                      |  |                                                |  |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------|--|------------------------------------------------|--|
| 1. Legal name of affiliate                                                           |                                                                                         | 2. Affiliate taxpayer number (if none, use FEI number)               |  | 3. Affiliate NAICS code                        |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>  | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y                     |  | 7. Affiliate reporting end date<br>m m d d y y |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00 |                                                                                         | 9. Gross receipts everywhere (before eliminations)<br>0.00           |  |                                                |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                            |                                                                                         | 11. Cost of goods sold or compensation (before eliminations)<br>0.00 |  |                                                |  |

The reporting entity of a combined group with a temporary credit for business loss and carryforwards preserved for itself and/or affiliates must submit common owner information. **This information must be provided to satisfy franchise tax reporting requirements.** Learn more at [www.comptroller.texas.gov/taxes/franchise/](http://www.comptroller.texas.gov/taxes/franchise/). An information report (Form 05-102 or Form 05-167) must be filed for each affiliate that is organized in Texas or that has a physical presence in Texas.

Texas Comptroller Official Use Only

VE/DE ☐ ☐ FM ☐ ☐

1019

**2023-117 ATTH 01**

Attachment: 2023-117 ATTH 01 Chap. 380 App - Sterno (4079 : 2023-117 RES Ch. 380 for existing local

180521  
04-01-21

7022 0410 0001 9224 8505

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|                                                              |        |        |      |
|--------------------------------------------------------------|--------|--------|------|
| Certified Mail Fee                                           | \$3.75 |        | 0509 |
| \$                                                           | \$3.05 |        | 15   |
| Extra Services & Fees (check box, add fee as appropriate)    |        |        |      |
| <input type="checkbox"/> Return Receipt (hardcopy)           | \$     | \$0.00 |      |
| <input type="checkbox"/> Return Receipt (electronic)         | \$     | \$0.00 |      |
| <input type="checkbox"/> Certified Mail Restricted Delivery  | \$     | \$0.00 |      |
| <input type="checkbox"/> Adult Signature Required            | \$     | \$0.00 |      |
| <input type="checkbox"/> Adult Signature Restricted Delivery | \$     | \$0.00 |      |
| Postage                                                      | \$1.56 |        |      |
| \$                                                           |        |        |      |
| Total Postage and Fees                                       | \$8.36 |        |      |
| \$                                                           |        |        |      |

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05/13/2022

Sent To  
 TX Comptroller of Public Accts  
 Street and Apt. No., or PO Box No.  
 P.O. Box 149348  
 City, State, ZIP+4®  
 Austin, TX 78714-9348

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

Attachment: 2023-117 ATTH 01 Chap. 380 App - Sterno (4079 : 2023-117 RES Ch. 380 for existing local business)

**2023 TAX RETURN FILING INSTRUCTIONS**

TEXAS FORM 05-158-A/05-158-B AND 05-102

**FOR THE YEAR ENDING**  
**DECEMBER 31, 2022**

|                                                     |                                                                                                                                                                                                                                                                                                                                                                          |                                |              |                            |         |                    |         |                              |         |                    |                     |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------|----------------------------|---------|--------------------|---------|------------------------------|---------|--------------------|---------------------|
| <b>Prepared for</b>                                 | STERNOCANDLELAMP HOLDINGS INC<br>6900 NORTH DALLAS PKWY, STE 870<br>PLANO, TX 75024                                                                                                                                                                                                                                                                                      |                                |              |                            |         |                    |         |                              |         |                    |                     |
| <b>Prepared by</b>                                  | WYSON & COMPANY INC<br>2900 BRISTOL ST, STE D209<br>COSTA MESA, CA 92626                                                                                                                                                                                                                                                                                                 |                                |              |                            |         |                    |         |                              |         |                    |                     |
| <b>To be signed and dated by</b>                    | THE APPROPRIATE CORPORATE OFFICER(S).                                                                                                                                                                                                                                                                                                                                    |                                |              |                            |         |                    |         |                              |         |                    |                     |
| <b>Amount of tax</b>                                | <table> <tr> <td>Total tax</td><td>\$ 22,975.75</td></tr> <tr> <td>Less: payments and credits</td><td>\$ 0.00</td></tr> <tr> <td>Plus: other amount</td><td>\$ 0.00</td></tr> <tr> <td>Plus: interest and penalties</td><td>\$ 0.00</td></tr> <tr> <td><b>BALANCE DUE</b></td><td><b>\$ 22,975.75</b></td></tr> </table>                                                 | Total tax                      | \$ 22,975.75 | Less: payments and credits | \$ 0.00 | Plus: other amount | \$ 0.00 | Plus: interest and penalties | \$ 0.00 | <b>BALANCE DUE</b> | <b>\$ 22,975.75</b> |
| Total tax                                           | \$ 22,975.75                                                                                                                                                                                                                                                                                                                                                             |                                |              |                            |         |                    |         |                              |         |                    |                     |
| Less: payments and credits                          | \$ 0.00                                                                                                                                                                                                                                                                                                                                                                  |                                |              |                            |         |                    |         |                              |         |                    |                     |
| Plus: other amount                                  | \$ 0.00                                                                                                                                                                                                                                                                                                                                                                  |                                |              |                            |         |                    |         |                              |         |                    |                     |
| Plus: interest and penalties                        | \$ 0.00                                                                                                                                                                                                                                                                                                                                                                  |                                |              |                            |         |                    |         |                              |         |                    |                     |
| <b>BALANCE DUE</b>                                  | <b>\$ 22,975.75</b>                                                                                                                                                                                                                                                                                                                                                      |                                |              |                            |         |                    |         |                              |         |                    |                     |
| <b>Overpayment</b>                                  | <table> <tr> <td>Credited to your estimated tax</td><td>\$ 0.00</td></tr> <tr> <td>Other amount</td><td>\$ 0.00</td></tr> <tr> <td>Refunded to you</td><td>\$ 0.00</td></tr> </table>                                                                                                                                                                                    | Credited to your estimated tax | \$ 0.00      | Other amount               | \$ 0.00 | Refunded to you    | \$ 0.00 |                              |         |                    |                     |
| Credited to your estimated tax                      | \$ 0.00                                                                                                                                                                                                                                                                                                                                                                  |                                |              |                            |         |                    |         |                              |         |                    |                     |
| Other amount                                        | \$ 0.00                                                                                                                                                                                                                                                                                                                                                                  |                                |              |                            |         |                    |         |                              |         |                    |                     |
| Refunded to you                                     | \$ 0.00                                                                                                                                                                                                                                                                                                                                                                  |                                |              |                            |         |                    |         |                              |         |                    |                     |
| <b>Make check payable to</b>                        | WHEN THE RETURN IS FILED THE AMOUNT DUE SHOULD BE ELECTRONICALLY TRANSFERRED.                                                                                                                                                                                                                                                                                            |                                |              |                            |         |                    |         |                              |         |                    |                     |
| <b>Mail tax return and check (if applicable) to</b> | TEXAS COMPTROLLER OF PUBLIC ACCTS<br>P.O. BOX 149348<br>AUSTIN, TX 78714-9348                                                                                                                                                                                                                                                                                            |                                |              |                            |         |                    |         |                              |         |                    |                     |
| <b>Return must be mailed on or before</b>           | MAY 15, 2023                                                                                                                                                                                                                                                                                                                                                             |                                |              |                            |         |                    |         |                              |         |                    |                     |
| <b>Special Instructions</b>                         | <p>PAYMENT OF TAX MUST BE MADE ELECTRONICALLY VIA THE TEXAS COMPTROLLER WEBSITE AT:</p> <p>WWW.COMPTROLLER.TEXAS.GOV<br/>/TAXES/FRANCHISE/FILING-REQUIREMENTS.PHP</p> <p>PLEASE, DO NOT STAPLE ANY PART OF THE RETURN TOGETHER.</p> <p>THE APPROPRIATE CORPORATE OFFICER(S) SHOULD SIGN AND DATE THE 05-102 - PUBLIC INFORMATION REPORT AND MAIL IT WITH THE RETURN.</p> |                                |              |                            |         |                    |         |                              |         |                    |                     |



## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),

Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,

Government Code, to review, request and correct information

we have on file about you. Contact us at 1-800-252-1381.

32059066467

2023

|                                                    |          |                                                                                   |  |
|----------------------------------------------------|----------|-----------------------------------------------------------------------------------|--|
| Taxpayer name STERNOCANDLELAMP HOLDINGS INC        |          | <input checked="" type="checkbox"/> Check box if the mailing address has changed. |  |
| Mailing address<br>6900 NORTH DALLAS PKWY, STE 870 |          | Secretary of State (SOS) file number or<br>Comptroller file number                |  |
| City PLANO                                         | State TX | ZIP code plus 4 75024                                                             |  |

☐ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                                              |
|------------------------------------------------------------------------------|
| Principal office 6900 NORTH DALLAS PKWY, STE 870, PLANO, TX 75024            |
| Principal place of business 6900 NORTH DALLAS PKWY, STE 870, PLANO, TX 75024 |



3205906646723

You must report officer, director, member, general partner and manager information as of the date you complete this report.

**Please sign below!****This report must be signed to satisfy franchise tax requirements.****SECTION A** Name, title and mailing address of each officer, director, member, general partner or manager.

|                                         |                                     |                                                     |                                |
|-----------------------------------------|-------------------------------------|-----------------------------------------------------|--------------------------------|
| Name<br><b>PATRICK MACIARIELLO</b>      | Title<br><b>CHAIRMAN &amp; PRES</b> | Director<br><input checked="" type="checkbox"/> YES | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY, 870 | City PLANO                          | State TX                                            | ZIP Code 75024                 |
| Name<br><b>ZACH SAWTELLE</b>            | Title<br><b>TREASURER</b>           | Director<br><input checked="" type="checkbox"/> YES | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY, 870 | City PLANO                          | State TX                                            | ZIP Code 75024                 |
| Name                                    | Title                               | Director<br><input type="checkbox"/> YES            | Term expiration<br>m m d d y y |
| Mailing address                         | City                                | State                                               | ZIP Code                       |

**SECTION B** Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                                                                       |                                 |                                                    |                                          |
|-----------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------------------------|------------------------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution<br><b>THE STERNO GROUP COMPANIES LLC</b> | State of formation<br><b>DE</b> | Texas SOS file number, if any<br><b>0800762197</b> | Percentage of ownership<br><b>100.00</b> |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution<br><b>RIMPORTS LLC</b>                   | State of formation<br><b>DE</b> | Texas SOS file number, if any                      | Percentage of ownership<br><b>100.00</b> |

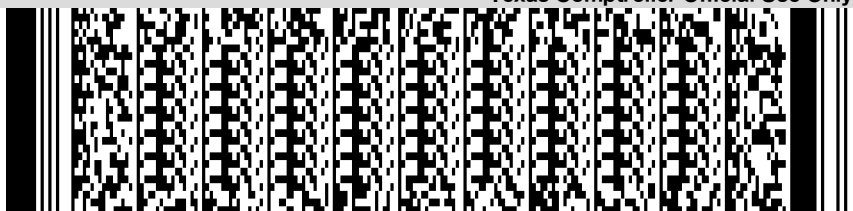
**SECTION C** Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

|                                                                                                         |                    |                                                                                                                                  |                         |
|---------------------------------------------------------------------------------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution                                | State of formation | Texas SOS file number, if any                                                                                                    | Percentage of ownership |
| Registered agent and registered office currently on file (see instructions if you need to make changes) |                    |                                                                                                                                  |                         |
| Agent:                                                                                                  |                    | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                         |
| Office:                                                                                                 | City               | State                                                                                                                            | ZIP Code                |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

|                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |                         |                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------|-----------------------------------------------------|
| I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution. |                     |                         |                                                     |
| sign here                                                                                                                                                                                                                                                                                                                                                                                                          | Title<br><b>CFO</b> | Date<br><b>5-9-2023</b> | Area code and phone number<br><b>(951) 248-4100</b> |

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



32059066467

280502 04-01-22

Attachment: 2023-117 ATTH 01 Chap. 380 App - Sterno (4079 : 2023-117 RES Ch. 380 for existing local business)

## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),

Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,

Government Code, to review, request and correct information

we have on file about you. Contact us at 1-800-252-1381.

12056255545

2023

|                                                    |          |                                                                        |            |
|----------------------------------------------------|----------|------------------------------------------------------------------------|------------|
| Taxpayer name THE STERNO GROUP COMPANIES LLC       |          | <input type="checkbox"/> Check box if the mailing address has changed. |            |
| Mailing address<br>6900 NORTH DALLAS PKWY, STE 870 |          | Secretary of State (SOS) file number or<br>Comptroller file number     |            |
| City PLANO                                         | State TX | ZIP code plus 4 75024                                                  | 0800762197 |

☐ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                                             |
|-----------------------------------------------------------------------------|
| Principal office 6900 NORTH DALLAS PKWY, STE 870 PLANO, TX 75024            |
| Principal place of business 6900 NORTH DALLAS PKWY, STE 870 PLANO, TX 75024 |

You must report officer, director, member, general partner and manager information as of the date you complete this report.

**Please sign below!****This report must be signed to satisfy franchise tax requirements.**

1205625554523

**SECTION A** Name, title and mailing address of each officer, director, member, general partner or manager.

|                                        |                           |                                                     |                                |
|----------------------------------------|---------------------------|-----------------------------------------------------|--------------------------------|
| Name<br><b>PATRICK MACIARIELLO</b>     | Title<br><b>CHAIRMAN</b>  | Director<br><input checked="" type="checkbox"/> YES | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY 870 | City PLANO                | State TX                                            | ZIP Code 75024                 |
| Name<br><b>CRAIG CARNES</b>            | Title<br><b>PRESIDENT</b> | Director<br><input checked="" type="checkbox"/> YES | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY 870 | City PLANO                | State TX                                            | ZIP Code 75024                 |
| Name<br><b>ALEX COPPERSMITH</b>        | Title<br><b>CFO</b>       | Director<br><input checked="" type="checkbox"/> YES | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY 870 | City PLANO                | State TX                                            | ZIP Code 75024                 |

**SECTION B** Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                              |                    |                               |                         |
|------------------------------------------------------------------------------|--------------------|-------------------------------|-------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |

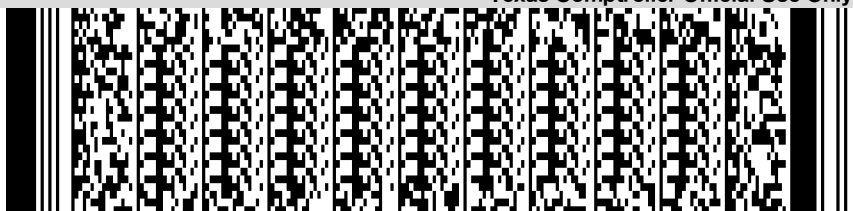
**SECTION C** Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

|                                                                                                              |                                 |                                                                                                                                  |                                          |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution<br><b>STERNOCANDLELAMP HOLDINGS</b> | State of formation<br><b>DE</b> | Texas SOS file number, if any<br><b>32059066467</b>                                                                              | Percentage of ownership<br><b>100.00</b> |
| Registered agent and registered office currently on file (see instructions if you need to make changes)      |                                 | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                                          |
| Agent:                                                                                                       | Office:                         | City                                                                                                                             | State ZIP Code                           |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

|                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |                         |                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------|-----------------------------------------------------|
| I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution. |                     |                         |                                                     |
| sign here                                                                                                                                                                                                                                                                                                                       | Title<br><b>CFO</b> | Date<br><b>5-9-2023</b> | Area code and phone number<br><b>(951) 248-4100</b> |

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),

Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,

Government Code, to review, request and correct information

we have on file about you. Contact us at 1-800-252-1381.

32067360696

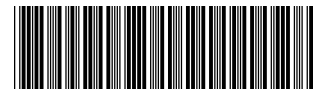
2023

|                                                    |          |                                                                        |  |
|----------------------------------------------------|----------|------------------------------------------------------------------------|--|
| Taxpayer name STERNO HOME INC                      |          | <input type="checkbox"/> Check box if the mailing address has changed. |  |
| Mailing address<br>6900 NORTH DALLAS PKWY, STE 870 |          | Secretary of State (SOS) file number or<br>Comptroller file number     |  |
| City PLANO                                         | State TX | ZIP code plus 4 75024                                                  |  |

☐ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                                  |
|------------------------------------------------------------------|
| Principal office 6900 NORTH DALLAS PKWY, STE 870 PLANO, TX 75024 |
| Principal place of business 201 E BAY BLVD PROVO, UT 84606       |

You must report officer, director, member, general partner and manager information as of the date you complete this report.

**Please sign below!**

3206736069623

**This report must be signed to satisfy franchise tax requirements.****SECTION A** Name, title and mailing address of each officer, director, member, general partner or manager.

|                                        |                           |                                                     |                                |
|----------------------------------------|---------------------------|-----------------------------------------------------|--------------------------------|
| Name<br><b>CRAIG CARNES</b>            | Title<br><b>PRESIDENT</b> | Director<br><input checked="" type="checkbox"/> YES | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY 870 | City PLANO                | State TX                                            | ZIP Code 75024                 |
| Name<br><b>ALEX COPPERSMITH</b>        | Title<br><b>CFO</b>       | Director<br><input type="checkbox"/> YES            | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY 870 | City PLANO                | State TX                                            | ZIP Code 75024                 |
| Name<br><b>PATRICK MACIARIELLO</b>     | Title<br><b>TREAS</b>     | Director<br><input checked="" type="checkbox"/> YES | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY 870 | City PLANO                | State TX                                            | ZIP Code 75024                 |

**SECTION B** Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                              |                    |                               |                         |
|------------------------------------------------------------------------------|--------------------|-------------------------------|-------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |

**SECTION C** Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

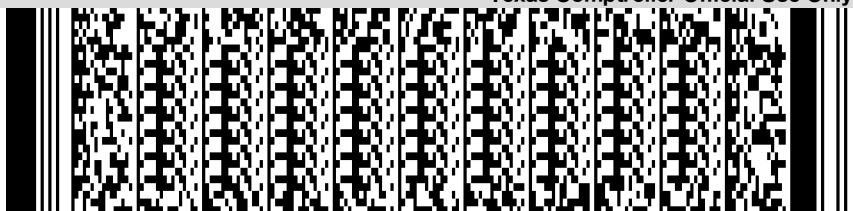
|                                                                                                                   |                                 |                                                                                                                                  |                                          |
|-------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution<br><b>STERNOCANDLELAMP HOLDINGS</b>      | State of formation<br><b>DE</b> | Texas SOS file number, if any<br><b>32059066467</b>                                                                              | Percentage of ownership<br><b>100.00</b> |
| Registered agent and registered office currently on file (see instructions if you need to make changes)<br>Agent: |                                 | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                                          |
| Office:                                                                                                           | City                            | State                                                                                                                            | ZIP Code                                 |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution.

|           |                     |                         |                                                     |
|-----------|---------------------|-------------------------|-----------------------------------------------------|
| sign here | Title<br><b>CFO</b> | Date<br><b>5-9-2023</b> | Area code and phone number<br><b>(951) 248-4100</b> |
|-----------|---------------------|-------------------------|-----------------------------------------------------|

Texas Comptroller Official Use Only



|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



## Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC), Limited Partnerships (LP),

Professional Associations (PA) and Financial Institutions

Tcode 13196

Taxpayer number

Report year

You have certain rights under Chapter 552 and 559,

Government Code, to review, request and correct information

we have on file about you. Contact us at 1-800-252-1381.

32069826355

2023

|                                                    |          |                                                                        |  |
|----------------------------------------------------|----------|------------------------------------------------------------------------|--|
| Taxpayer name RIMPORTS LLC                         |          | <input type="checkbox"/> Check box if the mailing address has changed. |  |
| Mailing address<br>6900 NORTH DALLAS PKWY, STE 870 |          | Secretary of State (SOS) file number or<br>Comptroller file number     |  |
| City PLANO                                         | State TX | ZIP code plus 4 75024                                                  |  |

☐ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

|                                                                  |
|------------------------------------------------------------------|
| Principal office 6900 NORTH DALLAS PKWY, STE 870 PLANO, TX 75024 |
| Principal place of business 201 E BAY BLVD PROVO, UT 84606       |

You must report officer, director, member, general partner and manager information as of the date you complete this report.

**Please sign below!**

3206982635523

**This report must be signed to satisfy franchise tax requirements.****SECTION A** Name, title and mailing address of each officer, director, member, general partner or manager.

|                                        |                           |                                                     |                                |
|----------------------------------------|---------------------------|-----------------------------------------------------|--------------------------------|
| Name<br><b>CRAIG CARNES</b>            | Title<br><b>CEO</b>       | Director<br><input checked="" type="checkbox"/> YES | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY 870 | City PLANO                | State TX                                            | ZIP Code 75024                 |
| Name<br><b>ALAN FARRELL</b>            | Title<br><b>PRESIDENT</b> | Director<br><input type="checkbox"/> YES            | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY 870 | City PLANO                | State TX                                            | ZIP Code 75024                 |
| Name<br><b>ALEX COPPERSMITH</b>        | Title<br><b>TREAS</b>     | Director<br><input type="checkbox"/> YES            | Term expiration<br>m m d d y y |
| Mailing address 6900 N DALLAS PKWY 870 | City PLANO                | State TX                                            | ZIP Code 75024                 |

**SECTION B** Enter information for each corporation, LLC, LP, PA or financial institution, if any, in which this entity owns an interest of 10 percent or more.

|                                                                              |                    |                               |                         |
|------------------------------------------------------------------------------|--------------------|-------------------------------|-------------------------|
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |
| Name of owned (subsidiary) corporation, LLC, LP, PA or financial institution | State of formation | Texas SOS file number, if any | Percentage of ownership |

**SECTION C** Enter information for each corporation, LLC, LP, PA or financial institution, if any, that owns an interest of 10 percent or more in this entity.

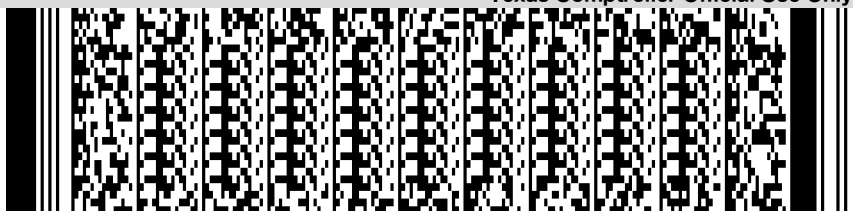
|                                                                                                              |                                 |                                                                                                                                  |                                          |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| Name of owned (parent) corporation, LLC, LP, PA or financial institution<br><b>STERNOCANDLELAMP HOLDINGS</b> | State of formation<br><b>DE</b> | Texas SOS file number, if any<br><b>32059066467</b>                                                                              | Percentage of ownership<br><b>100.00</b> |
| Registered agent and registered office currently on file (see instructions if you need to make changes)      |                                 | You must make a filing with the Secretary of State to change registered agent, registered office or general partner information. |                                          |
| Agent:                                                                                                       |                                 |                                                                                                                                  |                                          |
| Office:                                                                                                      | City                            | State                                                                                                                            | ZIP Code                                 |

The information on this form is required by Section 171.203 of the Tax Code for each corporation, LLC, LP, PA or financial institution that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B and C, if necessary. The information will be available for public inspection.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director, member, general partner or manager and who is not currently employed by this or a related corporation, LLC, LP, PA or financial institution.

|           |                     |                         |                                                     |
|-----------|---------------------|-------------------------|-----------------------------------------------------|
| sign here | Title<br><b>CFO</b> | Date<br><b>5-9-2023</b> | Area code and phone number<br><b>(951) 248-4100</b> |
|-----------|---------------------|-------------------------|-----------------------------------------------------|

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|       |                          |         |                          |
|-------|--------------------------|---------|--------------------------|
| VE/DE | <input type="checkbox"/> | PIR IND | <input type="checkbox"/> |
|-------|--------------------------|---------|--------------------------|



## Texas Franchise Tax Report - Page 1

Tcode 13250 ANNUAL

Taxpayer number

Report year

Due date

32059066467

2023

05/15/2023

|                                                                                                                                                                                                      |                    |                                                                                                                   |                                 |                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------|
| Taxpayer name<br><b>STERNOCANDLELAMP HOLDINGS INC</b>                                                                                                                                                |                    |                                                                                                                   |                                 | Secretary of State file number<br>or Comptroller file number             |
| Mailing address <b>6900 NORTH DALLAS PKWY, STE 870</b>                                                                                                                                               |                    |                                                                                                                   |                                 |                                                                          |
| City<br><b>PLANO</b>                                                                                                                                                                                 | State<br><b>TX</b> | Country<br><b>USA</b>                                                                                             | ZIP code plus 4<br><b>75024</b> | Check box if the address has changed <input checked="" type="checkbox"/> |
| Check box if this is a combined report <input checked="" type="checkbox"/>                                                                                                                           |                    | Check box if Total Revenue is adjusted for Tiered Partnership Election, see instructions <input type="checkbox"/> |                                 |                                                                          |
| Is this entity a corporation, limited liability company, professional association, limited partnership or financial institution? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |                    |                                                                                                                   |                                 |                                                                          |

\*\* If not twelve months, see instructions for annualized revenue

|                 |   |   |   |   |   |   |                 |   |   |   |   |   |   |          |            |
|-----------------|---|---|---|---|---|---|-----------------|---|---|---|---|---|---|----------|------------|
| Accounting year | m | m | d | d | y | y | Accounting year | m | m | d | d | y | y | SIC code | NAICS code |
| begin date**    | 0 | 1 | 0 | 1 | 2 | 2 | end date        | 1 | 2 | 3 | 1 | 2 | 2 | 5199     | 339900     |

## REVENUE (Whole dollars only)

|                                                                    |      |              |
|--------------------------------------------------------------------|------|--------------|
| 1. Gross receipts or sales                                         | 1.■  | 352151451.00 |
| 2. Dividends                                                       | 2.■  | 0.00         |
| 3. Interest                                                        | 3.■  | 2477.00      |
| 4. Rents (can be negative amount)                                  | 4.■  | 0.00         |
| 5. Royalties                                                       | 5.■  | 0.00         |
| 6. Gains/losses (can be negative amount)                           | 6.■  | 0.00         |
| 7. Other income (can be negative amount)                           | 7.■  | 0.00         |
| 8. Total gross revenue (Add items 1 thru 7)                        | 8.■  | 352153928.00 |
| 9. Exclusions from gross revenue (see instructions)                | 9.■  | 0.00         |
| 10. TOTAL REVENUE (item 8 minus item 9 if less than zero, enter 0) | 10.■ | 352153928.00 |

## COST OF GOODS SOLD (Whole dollars only)

|                                                               |      |              |
|---------------------------------------------------------------|------|--------------|
| 11. Cost of goods sold                                        | 11.■ | 223708058.00 |
| 12. Indirect or administrative overhead costs (Limited to 4%) | 12.■ | 0.00         |
| 13. Other (see instructions)                                  | 13.■ | 0.00         |
| 14. TOTAL COST OF GOODS SOLD (Add items 11 thru 13)           | 14.■ | 223708058.00 |

## COMPENSATION (Whole dollars only)

|                                               |      |             |
|-----------------------------------------------|------|-------------|
| 15. Wages and cash compensation               | 15.■ | 35640478.00 |
| 16. Employee benefits                         | 16.■ | 5693128.00  |
| 17. Other (see instructions)                  | 17.■ | 0.00        |
| 18. TOTAL COMPENSATION (Add items 15 thru 17) | 18.■ | 41333606.00 |

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|         |                          |  |  |  |  |
|---------|--------------------------|--|--|--|--|
| VE/DE   | <input type="checkbox"/> |  |  |  |  |
| PM Date |                          |  |  |  |  |

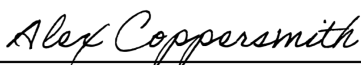


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Tcode 13251 ANNUAL

|                                                                                 |               |            |                               |
|---------------------------------------------------------------------------------|---------------|------------|-------------------------------|
| ■ Taxpayer number                                                               | ■ Report year | Due date   | Taxpayer name                 |
| 32059066467                                                                     | 2023          | 05/15/2023 | STERNOCANDLELAMP HOLDINGS INC |
| <b>MARGIN</b> (Whole dollars only)                                              |               |            |                               |
| 19. 70% revenue (item 10 X .70)                                                 | 19. ■         |            | 246507750.00                  |
| 20. Revenue less COGS (item 10 - item 14)                                       | 20. ■         |            | 128445870.00                  |
| 21. Revenue less compensation (item 10 - item 18)                               | 21. ■         |            | 310820322.00                  |
| 22. Revenue less \$1 million (item 10 - \$1,000,000)                            | 22. ■         |            | 351153928.00                  |
| 23. MARGIN (see instructions)                                                   | 23. ■         |            | 128445870.00                  |
| <b>APPORTIONMENT FACTOR</b>                                                     |               |            |                               |
| 24. Gross receipts in Texas (Whole dollars only)                                | 24. ■         |            | 18989980.00                   |
| 25. Gross receipts everywhere (Whole dollars only)                              | 25. ■         |            | 398333790.00                  |
| 26. APPORTIONMENT FACTOR (Divide item 24 by item 25, round to 4 decimal places) | 26. ■         |            | 0.0477                        |
| <b>TAXABLE MARGIN</b> (Whole dollars only)                                      |               |            |                               |
| 27. Apportioned margin (Multiply item 23 by item 26)                            | 27. ■         |            | 6126868.00                    |
| 28. Allowable deductions (see instructions)                                     | 28. ■         |            | 0.00                          |
| 29. TAXABLE MARGIN (item 27 minus item 28)                                      | 29. ■         |            | 6126868.00                    |
| <b>TAX DUE</b>                                                                  |               |            |                               |
| 30. Tax rate (see instructions for determining the appropriate tax rate)        |               | Y Y N      | 30. ■ 0.003750                |
| 31. Tax due (Multiply item 29 by the tax rate in item 30) (Dollars and cents)   | 31. ■         |            | 22975.75                      |
| <b>TAX ADJUSTMENTS</b> (Dollars and cents) (Do not include prior payments)      |               |            |                               |
| 32. Tax credits (item 23 from Form 05-160 )                                     | 32. ■         |            | 0.00                          |
| 33. Tax due before discount (item 31 minus item 32)                             | 33. ■         |            | 22975.75                      |
| 34. Discount (see instructions, applicable to report years 2008 and 2009)       | 34. ■         |            | 0.00                          |
| <b>TOTAL TAX DUE</b> (Dollars and cents)                                        |               |            |                               |
| 35. TOTAL TAX DUE (item 33 minus item 34)                                       | 35. ■         |            | 22975.75                      |

Do not include payment if item 35 is less than \$1,000 or if annualized total revenue is less than the no tax due threshold (see instructions). If the entity makes a tiered partnership election, ANY amount in item 35 is due. Complete Form 05-170 if making a payment.

|                                                                                                                                 |                  |                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------------|
| Print or type name<br><b>ALEX COPPERSMITH</b>                                                                                   |                  | Area code and phone number<br>(951) 248-4100                                                                 |
| I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief. |                  | <b>Mail original to:</b><br>Texas Comptroller of Public Accounts<br>P.O. Box 149348<br>Austin, TX 78714-9348 |
| sign here                                    | Date<br>5-9-2023 |                                                                                                              |

Instructions for each report year are online at [www.comptroller.texas.gov/taxes/franchise/forms/](http://www.comptroller.texas.gov/taxes/franchise/forms/). If you have any questions, call 1-800-252-1381.

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PM Date



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## Texas Franchise Tax Affiliate Schedule

Tcode 13253 ANNUAL

Reporting entity taxpayer number

Report year

Reporting entity taxpayer name

32059066467

2023

STERNOCANDLELAMP HOLDINGS INC

Reporting entity must be included on Affiliate Schedule. Affiliate reporting period dates must be within combined group's accounting period dates.

|                                                                                      |                                                                                         |                                                                       |  |                                                               |  |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--|---------------------------------------------------------------|--|
| 1. Legal name of affiliate<br>STERNOCANDLELAMP HOLDINGS INC                          |                                                                                         | 2. Affiliate taxpayer number (if none, use FEI number)<br>32059066467 |  | 3. Affiliate NAICS code<br>339900                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>  | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br>0 1 0 1 2 2       |  | 7. Affiliate reporting end date<br>m m d d y y<br>1 2 3 1 2 2 |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00 |                                                                                         | 9. Gross receipts everywhere (before eliminations)<br>189820192.00    |  |                                                               |  |
| 10. Gross receipts in Texas (before eliminations)<br>15991092.00                     |                                                                                         | 11. Cost of goods sold or compensation (before eliminations)<br>0.00  |  |                                                               |  |

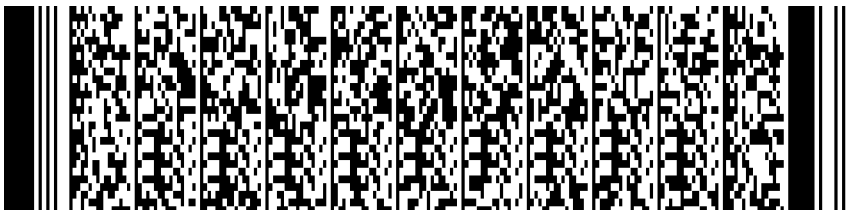
|                                                                                                |                                                                                                    |                                                                       |  |                                                               |  |
|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--|---------------------------------------------------------------|--|
| 1. Legal name of affiliate<br>THE STERNO GROUP COMPANIES LLC                                   |                                                                                                    | 2. Affiliate taxpayer number (if none, use FEI number)<br>12056255545 |  | 3. Affiliate NAICS code<br>339900                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input checked="" type="checkbox"/> | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input checked="" type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br>0 1 0 1 2 2       |  | 7. Affiliate reporting end date<br>m m d d y y<br>1 2 3 1 2 2 |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00           |                                                                                                    | 9. Gross receipts everywhere (before eliminations)<br>0.00            |  |                                                               |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                                      |                                                                                                    | 11. Cost of goods sold or compensation (before eliminations)<br>0.00  |  |                                                               |  |

|                                                                                      |                                                                                                    |                                                                       |  |                                                               |  |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--|---------------------------------------------------------------|--|
| 1. Legal name of affiliate<br>STERNO HOME                                            |                                                                                                    | 2. Affiliate taxpayer number (if none, use FEI number)<br>32067360696 |  | 3. Affiliate NAICS code<br>339900                             |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>  | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input checked="" type="checkbox"/> | 6. Affiliate reporting begin date<br>m m d d y y<br>0 1 0 1 2 2       |  | 7. Affiliate reporting end date<br>m m d d y y<br>1 2 3 1 2 2 |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00 |                                                                                                    | 9. Gross receipts everywhere (before eliminations)<br>0.00            |  |                                                               |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                            |                                                                                                    | 11. Cost of goods sold or compensation (before eliminations)<br>0.00  |  |                                                               |  |

The reporting entity of a combined group with a temporary credit for business loss and carryforwards preserved for itself and/or affiliates must submit common owner information. **This information must be provided to satisfy franchise tax reporting requirements.** Learn more at [www.comptroller.texas.gov/taxes/franchise/](http://www.comptroller.texas.gov/taxes/franchise/). An information report (Form 05-102 or Form 05-167) must be filed for each affiliate that is organized in Texas or that has a physical presence in Texas.

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## Texas Franchise Tax Affiliate Schedule

Tcode 13253 ANNUAL

Reporting entity taxpayer number

Report year

Reporting entity taxpayer name

32059066467

2023

STERNOCANDLELAMP HOLDINGS INC

Reporting entity must be included on Affiliate Schedule. Affiliate reporting period dates must be within combined group's accounting period dates.

|                                                                                                |  |                                                                                         |  |                                                                 |  |
|------------------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------------------------|--|-----------------------------------------------------------------|--|
| 1. Legal name of affiliate<br>RIMPORTS LLC                                                     |  | 2. Affiliate taxpayer number (if none, use FEI number)<br>32069826355                   |  | 3. Affiliate NAICS code<br>451120                               |  |
| 4. Check box if entity is disregarded for franchise tax<br><input checked="" type="checkbox"/> |  | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> |  | 6. Affiliate reporting begin date<br>m m d d y y<br>0 1 0 1 2 2 |  |
|                                                                                                |  |                                                                                         |  | 7. Affiliate reporting end date<br>m m d d y y<br>1 2 3 1 2 2   |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00           |  | 9. Gross receipts everywhere (before eliminations)<br>0.00                              |  |                                                                 |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                                      |  | 11. Cost of goods sold or compensation (before eliminations)<br>0.00                    |  |                                                                 |  |

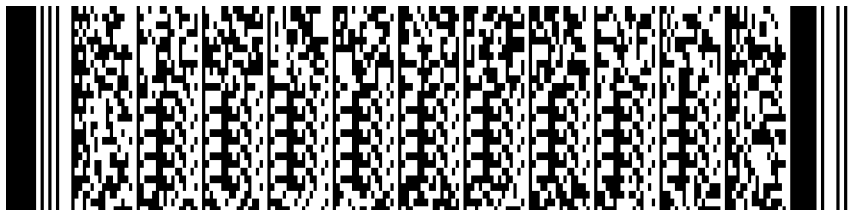
|                                                                                      |  |                                                                                         |  |                                                  |  |
|--------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------------------------|--|--------------------------------------------------|--|
| 1. Legal name of affiliate                                                           |  | 2. Affiliate taxpayer number (if none, use FEI number)                                  |  | 3. Affiliate NAICS code                          |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>  |  | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> |  | 6. Affiliate reporting begin date<br>m m d d y y |  |
|                                                                                      |  |                                                                                         |  | 7. Affiliate reporting end date<br>m m d d y y   |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00 |  | 9. Gross receipts everywhere (before eliminations)<br>0.00                              |  |                                                  |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                            |  | 11. Cost of goods sold or compensation (before eliminations)<br>0.00                    |  |                                                  |  |

|                                                                                      |  |                                                                                         |  |                                                  |  |
|--------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------------------------|--|--------------------------------------------------|--|
| 1. Legal name of affiliate                                                           |  | 2. Affiliate taxpayer number (if none, use FEI number)                                  |  | 3. Affiliate NAICS code                          |  |
| 4. Check box if entity is disregarded for franchise tax<br><input type="checkbox"/>  |  | 5. Check box if this affiliate does NOT have NEXUS in Texas<br><input type="checkbox"/> |  | 6. Affiliate reporting begin date<br>m m d d y y |  |
|                                                                                      |  |                                                                                         |  | 7. Affiliate reporting end date<br>m m d d y y   |  |
| 8. Gross receipts subject to throwback in other states (before eliminations)<br>0.00 |  | 9. Gross receipts everywhere (before eliminations)<br>0.00                              |  |                                                  |  |
| 10. Gross receipts in Texas (before eliminations)<br>0.00                            |  | 11. Cost of goods sold or compensation (before eliminations)<br>0.00                    |  |                                                  |  |

The reporting entity of a combined group with a temporary credit for business loss and carryforwards preserved for itself and/or affiliates must submit common owner information. **This information must be provided to satisfy franchise tax reporting requirements.** Learn more at [www.comptroller.texas.gov/taxes/franchise/](http://www.comptroller.texas.gov/taxes/franchise/). An information report (Form 05-102 or Form 05-167) must be filed for each affiliate that is organized in Texas or that has a physical presence in Texas.

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### 9.1.b

Attachment: 2023-11/ AI H 01 Chap. 380 App - Sterno (40/9 : 2023-11/ RES Ch. 380 for existing local

Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**SternoCandleLamp Holdings, Inc. and  
Subsidiaries**

As of and for the years ended December 31, 2020 and 2019

# Contents

|                                                            | Page |
|------------------------------------------------------------|------|
| Report of Independent Certified Public Accountants         | 1    |
| Consolidated balance sheets                                | 3    |
| Consolidated statements of income and comprehensive income | 4    |
| Consolidated statements of stockholder's equity            | 5    |
| Consolidated statements of cash flows                      | 6    |
| Notes to consolidated financial statements                 | 7    |



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**GRANT THORNTON LLP**  
4695 MacArthur Ct #1600  
Newport Beach, Ca 92660

**D** +1 949 553-1600

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
SternoCandleLamp Holdings, Inc.

We have audited the accompanying consolidated financial statements of SternoCandleLamp Holdings, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Attachment: 2023-117 ATTH 01 Chap. 380 App - Sterno (4079 : 2023-117 RES Ch. 380 for existing local business)



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SternoCandleLamp Holdings, Inc. and Subsidiaries, as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Newport Beach, California  
March 10, 2021



## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

December 31

(in thousands, except share data)

| ASSETS                                                                                                                                                |  |                   |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------------|-------------------|
|                                                                                                                                                       |  | 2020              | 2019              |
| Current assets                                                                                                                                        |  |                   |                   |
| Cash and cash equivalents                                                                                                                             |  | \$ 3,358          | \$ 2,073          |
| Trade receivables, net of allowances                                                                                                                  |  | 64,968            | 58,235            |
| Inventories                                                                                                                                           |  | 92,979            | 84,807            |
| Prepaid expenses and other current assets                                                                                                             |  | 2,145             | 4,550             |
| Total current assets                                                                                                                                  |  | 163,450           | 149,665           |
| Property and equipment, net                                                                                                                           |  | 19,821            | 19,001            |
| Intangible assets, net                                                                                                                                |  | 118,746           | 135,491           |
| Goodwill                                                                                                                                              |  | 55,336            | 55,336            |
| Operating lease right-of-use assets, net                                                                                                              |  | 11,931            | 14,856            |
| Other assets                                                                                                                                          |  | 794               | 790               |
| Total assets                                                                                                                                          |  | <u>\$ 370,078</u> | <u>\$ 375,139</u> |
| LIABILITIES AND STOCKHOLDER'S EQUITY                                                                                                                  |  |                   |                   |
| Current liabilities                                                                                                                                   |  |                   |                   |
| Current portion, long-term debt - related party                                                                                                       |  | \$ 9,230          | \$ 9,230          |
| Accounts payable                                                                                                                                      |  | 36,438            | 29,561            |
| Accrued and other expenses                                                                                                                            |  | 14,195            | 15,848            |
| Operating lease liabilities, short term                                                                                                               |  | 4,605             | 3,622             |
| Total current liabilities                                                                                                                             |  | 64,468            | 58,261            |
| Deferred taxes                                                                                                                                        |  | 899               | 2,629             |
| Line of credit - related party                                                                                                                        |  | 16,000            | 7,611             |
| Long-term debt, net of current portion - related party                                                                                                |  | 204,862           | 223,352           |
| Long-term liabilities                                                                                                                                 |  | -                 | 649               |
| Operating lease liabilities, long-term                                                                                                                |  | 7,970             | 11,758            |
| Total liabilities                                                                                                                                     |  | 294,199           | 304,260           |
| Commitments and contingencies (refer to Note 8)                                                                                                       |  |                   |                   |
| Stockholder's equity                                                                                                                                  |  |                   |                   |
| Common stock - \$0.001 par value, 1,500,000 shares authorized, 1,033,653 shares issued and 1,000,000 shares outstanding at December 31, 2020 and 2019 |  | 1                 | 1                 |
| Additional paid-in capital                                                                                                                            |  | 81,291            | 80,124            |
| Treasury stock at cost (33,653 shares)                                                                                                                |  | (6,013)           | (6,013)           |
| Accumulated other comprehensive income (loss)                                                                                                         |  | 2                 | (12)              |
| Accumulated earnings (deficit)                                                                                                                        |  | 598               | (3,221)           |
| Total stockholder's equity                                                                                                                            |  | 75,879            | 70,879            |
| Total liabilities and stockholder's equity                                                                                                            |  | <u>\$ 370,078</u> | <u>\$ 375,139</u> |

See notes to consolidated financial statements.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(in thousands)

|                                              | 2020       | 2019       |
|----------------------------------------------|------------|------------|
| Net sales                                    | \$ 369,981 | \$ 395,444 |
| Cost of goods sold                           | 291,778    | 293,445    |
| Gross profit                                 | 78,203     | 101,999    |
| Selling, general and administrative expenses | 52,421     | 57,156     |
| Operating income                             | 25,782     | 44,843     |
| Related party interest expense               | 19,017     | 22,632     |
| Amortization of debt issuance costs          | 451        | 451        |
| Loss (gain) on disposal of assets            | 81         | (18)       |
| Other expense (income), net                  | 71         | (58)       |
| Income before income taxes                   | 6,162      | 21,836     |
| Provision for income taxes                   | 2,343      | 5,388      |
| Net income                                   | \$ 3,819   | \$ 16,448  |
| Foreign currency translation adjustment      | 14         | 257        |
| Comprehensive income                         | \$ 3,833   | \$ 16,705  |

See notes to consolidated financial statements.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

For the years ended December 31, 2020 and 2019

(in thousands, except share data)

|                                   | <u>Common Stock</u> |             | Additional<br>Paid-In<br>Capital | Treasury<br>Stock | Accumulated<br>other<br>comprehensive<br>income (loss) | Accumulated<br>Earnings<br>(Deficit) | Total<br>Stockholder's<br>Equity |
|-----------------------------------|---------------------|-------------|----------------------------------|-------------------|--------------------------------------------------------|--------------------------------------|----------------------------------|
|                                   | Shares<br>Issued    | Amount      |                                  |                   |                                                        |                                      |                                  |
| Balance, January 1, 2019          | 1,033,653           | \$ 1        | \$ 78,941                        | \$ (6,013)        | \$ (269)                                               | \$ (19,669)                          | \$ 52,991                        |
| Stock compensation expense        | -                   | -           | 1,183                            | -                 | -                                                      | -                                    | 1,183                            |
| Net income                        | -                   | -           | -                                | -                 | -                                                      | 16,448                               | 16,448                           |
| Foreign currency translation gain | -                   | -           | -                                | -                 | 257                                                    | -                                    | 257                              |
| Balance, December 31, 2019        | <u>1,033,653</u>    | <u>\$ 1</u> | <u>\$ 80,124</u>                 | <u>\$ (6,013)</u> | <u>\$ (12)</u>                                         | <u>\$ (3,221)</u>                    | <u>\$ 70,879</u>                 |
| Stock compensation expense        | -                   | -           | 1,167                            | -                 | -                                                      | -                                    | 1,167                            |
| Net income                        | -                   | -           | -                                | -                 | -                                                      | 3,819                                | 3,819                            |
| Foreign currency translation gain | -                   | -           | -                                | -                 | 14                                                     | -                                    | 14                               |
| Balance, December 31, 2020        | <u>1,033,653</u>    | <u>\$ 1</u> | <u>\$ 81,291</u>                 | <u>\$ (6,013)</u> | <u>\$ 2</u>                                            | <u>\$ 598</u>                        | <u>\$ 75,879</u>                 |

See notes to consolidated financial statements.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(in thousands)

|                                                                                   | 2020             | 2019             |
|-----------------------------------------------------------------------------------|------------------|------------------|
| Cash flows from operating activities:                                             |                  |                  |
| Net income                                                                        | \$ 3,819         | \$ 16,448        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |                  |
| Depreciation expense                                                              | 5,048            | 5,086            |
| Amortization expense                                                              | 17,012           | 16,949           |
| Amortization of debt issuance costs                                               | 451              | 451              |
| Stock-based compensation expense                                                  | 1,167            | 1,183            |
| Deferred taxes                                                                    | (1,730)          | (1,392)          |
| Provision for inventory reserve                                                   | (1,167)          | 642              |
| Provision for doubtful accounts                                                   | 3,213            | 526              |
| Loss (gain) on disposal of assets                                                 | 81               | (18)             |
| Changes in operating assets and liabilities:                                      |                  |                  |
| Trade receivables                                                                 | (9,945)          | 11,838           |
| Prepaid expenses and other current assets                                         | 2,379            | (2,073)          |
| Inventories                                                                       | (7,005)          | (16,644)         |
| Accounts payable                                                                  | 4,445            | (7,382)          |
| Accrued and other expenses                                                        | 130              | (5,436)          |
| Operating lease asset, net                                                        | 119              | 524              |
| Net cash provided by operating activities                                         | <u>18,017</u>    | <u>20,702</u>    |
| Cash flows from investing activities:                                             |                  |                  |
| Purchases of property and equipment                                               | (6,130)          | (5,770)          |
| Intangibles                                                                       | (86)             | (20)             |
| Net cash used in investing activities                                             | <u>(6,216)</u>   | <u>(5,790)</u>   |
| Cash flows from financing activities:                                             |                  |                  |
| Borrowings on loans and line of credit, net loan origination fees                 | 57,200           | 42,100           |
| Payments on loans and line of credit                                              | (67,730)         | (63,630)         |
| Net cash used in financing activities                                             | <u>(10,530)</u>  | <u>(21,530)</u>  |
| Foreign currency impact on cash                                                   | <u>14</u>        | <u>257</u>       |
| Net increase (decrease) in cash and equivalents                                   | 1,285            | (6,361)          |
| Cash and cash equivalents beginning of period                                     | <u>2,073</u>     | <u>8,434</u>     |
| Cash and cash equivalents end of period                                           | <u>\$ 3,358</u>  | <u>\$ 2,073</u>  |
| Supplemental disclosures of cash flow information                                 |                  |                  |
| Cash paid during the year for:                                                    |                  |                  |
| Interest expense - related party                                                  | <u>\$ 18,914</u> | <u>\$ 22,672</u> |
| Income taxes                                                                      | <u>\$ 4,104</u>  | <u>\$ 7,468</u>  |

See notes to consolidated financial statements.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

SternoCandleLamp Holdings, Inc. (the “Company”), headquartered in Corona, California, is the ultimate parent company of Sterno, LLC (“Sterno” f.k.a. Sterno Products, LLC), Sterno Home, Inc. (“Sterno Home”), Sterno Delivery, LLC (“Sterno Delivery”) and Rimports, LLC (“Rimports”). The Company operates via three product divisions:

- Sterno – Sterno offers a broad range of wick and gel chafing fuels, liquid and traditional wax candles, butane stoves and accessories, and catering equipment and lamps for restaurants, hotel and home entertainment uses, selling both Sterno Brand and private label. Sterno also has a division called Sterno Delivery, which develops, manufactures, and delivers hot and cold carriers and coolers for school nutrition, catering events, pizza delivery, meal and drink delivery, and stadiums.
- Sterno Home - Sterno Home's product offerings include a full line of innovative patented flameless candles, traditional house and garden lighting including path lights, spotlights, bollards, coach and security lights as well as emerging décor categories of illuminated products such as post caps, deck, patio and fence lighting and other novelty products including stick lights, string lights, baskets and lanterns. The flameless candles and novelty lighting are powered by solar or battery power, and the more traditional outdoor lighting fixtures are driven via solar power or low voltage technologies.
- Rimports - Rimports is a manufacturer and distributor of branded and private label wickless candle products used for home decor and fragrance systems under the ScentSationals, Better Home & Garden, AmbiEscent, Oak & Rye, Estate and Ador brands. Rimports offers lines of wickless candle products including ceramic wax warmers, scented wax cubes and essential oil and diffusers. The Company acquired Rimports in February 2018.

The Company operates out of its corporate headquarters in Corona, California; two manufacturing facilities in Texarkana, Texas and Memphis, Tennessee; Sterno Delivery’s facility in La Porte, Indiana; and Rimports’ facility in Provo, Utah.

The Company’s significant accounting policies are as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (Sterno, Sterno Delivery, Sterno Home and Rimports) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant intercompany transactions and accounts have been eliminated.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions made by management are used for, but not limited to, the fair value of identifiable intangible assets, the recoverability of the carrying value of long-lived and intangible assets and goodwill, the realization of trade receivables, the accrual for rebates, reserves for slow-moving or obsolete inventory, and the establishment of valuation allowance on deferred income taxes. Actual results could differ from these estimates.

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities.

Performance Obligations - Revenues are recognized when control of the promised goods is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods and services. Each product represents a separate performance obligation. The Company determines standalone selling prices based on the price at which the performance obligation is sold separately. The standalone selling price is directly observable as it is the price at which the Company sells its products separately to the customer. As the Company does not meet any of the requirements for over time recognition for any of its products, it will recognize revenue based on the point in time criteria based on the definition of control, which is generally upon shipment terms for products.

Shipping and Handling Costs - Costs associated with shipment of products to a customer are accounted for as a fulfillment cost and are included in cost of goods sold. The Company has elected to apply the practical expedient for shipping costs under the new revenue guidance and accounted for shipping and handling activities performed after control of a good has been transferred to the customer as a fulfillment cost and not a performance obligation. Therefore, both revenue and costs of shipping and handling are recorded at the same time. As a result, any consideration (including freight and landing costs) related to these activities is included as a component of the overall transaction consideration and allocated to the performance obligations of the contract.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

**Warranty** - For product sales, the Company provides standard assurance-type warranties as the Company only warrants its products against defects in materials and workmanship (i.e., manufacturing flaws). Although the warranties are not required by law, the tasks performed over the warranty period are only to remediate instances when products do not meet the promised specifications. Customers do not have the option to purchase warranties separately. The Company's warranty periods generally range from 90 days to one year depending on the nature of the product and are consistent with industry standards. The periods are reasonable to assure that products conform to specifications. The Company does not have a history of performing activities outside the scope of the standard warranty.

**Variable Consideration** - Upon adoption of the new revenue guidance, the Company's policy around estimating variable consideration related to sales incentives (early pay discounts, rights of return, rebates, chargebacks, and other discounts) included in certain customer contracts remained consistent with previous guidance. These incentives are recorded as a reduction in the transaction price. Under the new guidance, variable consideration is estimated and included in total consideration at contract inception based on either the expected value method or the most likely outcome method. The method was applied consistently among each type of variable consideration and the Company applies the expected value method to estimate variable consideration. These estimates are based on historical experience, anticipated performance and the Company's best judgment at the time and as a result, reflect applicable constraints. The Company includes in the transaction price an amount of variable consideration estimated in accordance with the new guidance only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

**Revenue from product sales** is presented net of rebates, returns and other allowances. The Company recorded approximately \$30.3 million and \$49.8 million for rebates and incentive allowances against revenue during the years ended December 31, 2020 and 2019, respectively. The accrual for rebates and incentive allowances is based on terms of contractual arrangements and historical experience and is recorded in accrued expenses in the Company's consolidated balance sheets.

**Sales and Other Similar Taxes** - The Company notes that under its contracts with customers, the customer is responsible for all sales and other similar taxes, which the Company will invoice the customer for if they are applicable. The new revenue guidance allows entities to make an accounting policy election to exclude sales taxes and other similar taxes from the measurement of the transaction price. The scope of this accounting policy election is the same as the scope of the policy election in the previous guidance.

**Disaggregated Revenue - Revenue Streams and Timing of Revenue Recognition** - The Company disaggregates revenue by strategic business unit and by product for each strategic business unit which are categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. This disaggregation also represents how the Company evaluates its financial performance, as well as how the Company communicates its financial performance to the other users of its financial statements. Each strategic business unit represents the Company's different products.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

The following table sets forth the Company's net sales by product for the years ended December 31, 2020 and 2019 (in thousands):

|                                                        | 2020              | 2019              |
|--------------------------------------------------------|-------------------|-------------------|
| Canned heat, table lighting, and hand sanitizer        | \$ 65,819         | \$ 145,505        |
| Flameless and outdoor lighting                         | 51,615            | 73,262            |
| Wickless candle products, diffusers and essential oils | 252,547           | 176,677           |
|                                                        | <u>\$ 369,981</u> | <u>\$ 395,444</u> |

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents in bank deposit accounts. The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2020 and 2019, the Company had issued \$0 and \$385 thousand of checks in excess of funds available, respectively.

Trade Receivables

Credit is extended in the form of trade receivables based on an evaluation of each customer's financial condition, and collateral is not required. Trade receivables are carried at original invoice amount less estimates made for doubtful receivables, customer chargebacks, markdowns and returns. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. No interest is charged on customer accounts. The Company's Rimports unit maintains an allowance for customer chargebacks for items such as markdowns and defective units based on historical experience and management's knowledge of its customers' receiving and payment practices. As of December 31, 2020 and 2019, the allowance for chargebacks was \$4.5 million and \$1.9 million, respectively. As of December 31, 2020 and 2019, the allowance for doubtful accounts was \$1.0 million and \$430 thousand, respectively.

Inventories

Inventories are stated at the lower of cost (determined on a weighted-average method) or net realizable value. Inventory consists of raw materials, work in progress, shipping supplies and finished goods. The Company reserves for slow-moving and obsolete inventory when management determines an item should be reserved based on historical movement.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment

Property, plant and equipment are recorded at cost. The cost of major additions or betterments is capitalized, while maintenance and repairs that do not improve or extend the useful lives of the related assets are expensed as incurred. Leasehold improvements are amortized over the shorter of the term of the lease or their estimated useful lives.

Depreciation is recorded primarily by the straight-line method over the following estimated lives of the related assets:

|                                  | <u>Years</u> |
|----------------------------------|--------------|
| Buildings                        | 25           |
| Machinery, tooling and equipment | 2-15         |
| Office furniture and equipment   | 3-7          |

Long-Lived Assets

Long-lived assets, which include property, equipment and amortizable intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that an asset may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets are written down to the estimated fair value, and such loss is recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets was identified in the years ended December 31, 2020 and 2019.

Amortization of Intangible Assets

Intangible assets subject to amortization are amortized on the straight-line method over their estimated useful lives. Changes in circumstance, such as a significant decline in the Company's viability, could result in the actual useful lives differing from initial estimates. In those cases where the Company determines that the useful life of a long-lived asset should be revised, the Company will amortize the net book value over its revised remaining useful life.

The Company believes that the "Sterno" trade name is an indefinite life intangible asset. An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economics, or any other factors that may limit the period over which the asset is expected to contribute directly or indirectly to future cash flows. The evaluation of impairment for indefinite life intangible assets is performed by a comparison of the asset's carrying value to the asset's fair value. When the carrying value exceeds fair value, an impairment charge is recorded for the amount of the difference. Management determined that no impairment of its trade name had occurred in the years ended December 31, 2020 and 2019.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Goodwill

The Company evaluates goodwill for impairment on an annual basis or whenever events or circumstances have indicated that the carrying amount of an asset may be impaired. The Company has determined that it has one reporting unit, which is subject to impairment testing. The Company assesses qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount using a qualitative approach, then an additional analysis is performed using the reporting unit's discounted cash flows to further determine whether the fair value is less than the reporting unit's carrying value. If the excess of the fair value of the reporting unit over the fair value of the identifiable assets and liabilities is less than the carrying value of the unit's goodwill, an impairment charge is recorded for the difference. There was no impairment of goodwill in the years ended December 31, 2020 and 2019.

Income Taxes

The Company accounts for income taxes under the asset and liability method under which it recognizes deferred income taxes, net of valuation allowances, if any, for the estimated future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and its tax bases and net operating loss and tax credit carryforwards. The Company may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Company has such an assessment from a taxing authority, it is its accounting policy to recognize any interest and penalties as a component of income tax.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which included a range of tax relief provisions for corporations, individuals and other taxpaying entities.

The 2017 Tax Cuts and Jobs Act, as further discussed below, created a new limitation on the deduction of corporate interest under Section 163(j). In simple terms, interest expense for any given year is limited to 30% of "tax EBITDA". Any disallowed amount was carried forward indefinitely to future periods and subject that year's limitation. The CARES Act increased the 163(j) limitation from 30% to 50%. As a result, we estimate that the Company will have no current year limitation and retroactively allowed the Company a full deduction for prior deductions deferred under the provision. As a result, the Company shows no deferral of interest deductions as of December 31, 2020.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the “2017 Act”). In connection with the 2017 Act, the Company was subject to the transition tax on unrepatriated foreign earnings, pursuant to Section 965. The Company’s total resulting tax under Section 965 was \$321 thousand. The Company elected to pay the tax in installments. As of December 31, 2020, a balance of \$218 thousand is to be paid via installments through 2024.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2020 and 2019, advertising expense was approximately \$1.1 million and \$1.3 million, respectively.

Debt Issuance Costs

Debt issuance costs are amortized over the life of the respective loans using the effective interest method as it related to term debt and the straight-line method related to the revolving credit agreement. Issuance costs related to debt are presented in the consolidated balance sheets as a direct deduction from the carrying amount of the associated debt liability. Issuance costs related to a revolving credit facility are included in prepaid expenses and other current assets in the consolidated balance sheets.

For the years ended December 31, 2020 and 2019, amortization of debt issuance costs was \$451 thousand. See Note 5 Related Party Debt.

Accounting for Stock-Based Compensation

Stock-based compensation cost is calculated on the date of grant using the estimated fair value of the option as determined using the Black-Scholes option pricing model. The compensation cost is then amortized ratably over the vesting period of the individual option grants. The Black-Scholes valuation calculation requires the Company to estimate key assumptions including the expected term, volatility and interest rates to determine the fair value of the stock options. The estimate of these key assumptions is based on an analysis of comparable companies, the Company’s leverage and judgment regarding market factors and trends. Authoritative guidance also requires that forfeitures be estimated at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

COVID-19 Risks Relating to our Business

The COVID-19 pandemic resulted in additional risks that may adversely affect our business, financial condition, results of operations and cash flows.

In December 2019, there was an outbreak of a new strain of coronavirus, COVID-19. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has negatively impacted the global economy, lowered equity valuations, disrupted global supply chains and workforce participation due to “shelter-in-place” restrictions by various governments worldwide, decreased consumer confidence generally and created significant volatility and disruption of financial markets.

The Company’s operations and business has been negatively affected and could be materially and adversely affected by the COVID-19 pandemic and related weak, or weakening of, economic or other negative conditions. The extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected timeframe, will depend on future developments. The significance of the impact on the Company’s operations is not yet certain and depends on numerous evolving factors that the Company may not be able to accurately predict or effectively respond to, including, without limitation: the duration and scope of the outbreak; actions taken by governments, businesses, and individuals in response to the outbreak; the effect on economic activity and actions taken in response; the effect on customers and their demand for the Company’s products; and the Company’s ability to manufacture, and sell its products, including without limitation as a result of supply chain challenges, facility closures, social distancing, restrictions on travel, and shelter-in-place orders. These and other factors relating to or arising from the outbreak could have a material adverse effect on the Company’s business, results of operations, and cash flows. The degree to which COVID-19 and related actions ultimately impact our business, financial position, results of operations and cash flows will depend on factors which are highly uncertain, difficult to predict and beyond our control including the duration, spread and severity of the outbreak, the actions taken to contain COVID-19 and mitigate its public health effects, the impact on the U.S. and global economies and demand for our products, and how quickly and to what extent normal economic and operating conditions resume. Even after COVID-19 has subsided, we may continue to experience materially adverse impacts to our business as a result of the virus’ global economic impact and any recession that has occurred or may occur in the future.

There are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of the outbreak is highly uncertain and subject to change. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Concentration of Credit Risk

The Company maintains cash balances at various banks where balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Company maintains cash balances in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Company performs periodic credit evaluations of its customers. The Company maintains allowances for potential credit losses and such losses have historically been within management's expectation. In 2020 and 2019, the Company's top ten customers accounted for 80% and 73% of net sales, respectively. One customer accounted for 65% and 47% of the Company's net sales for the years ended December 31, 2020 and 2019, and the top two customers combined accounted for 68% and 53% respectively. Three customers accounted for approximately 74% and 58% of trade receivables, net at December 31, 2020 and 2019, respectively. One customer accounted for 60% and 45% of the Company's trade receivables, net at December 31, 2020 and 2019, respectively. The top two customers combined accounted for 68% and 53% of trade receivables, net at December 31, 2020 and 2019, respectively.

Comprehensive Income

The Company's Rimports unit has operations outside the United States, and the local currency is the functional currency. The financial statements of this foreign unit are translated into U.S. dollars using exchange rates in effect at year-end for assets and liabilities and average exchange rates during the year for results of operations. The resulting translation gain or loss is included in stockholder's equity as other comprehensive income or loss. For all other foreign operations, the Company's functional currency is the U.S. dollar. For the years ended December 31, 2020 and 2019, the transaction gains and losses aggregated to a loss of approximately \$239 thousand and \$260 thousand, respectively. Foreign currency gains and losses are recorded in other expenses in the accompanying consolidated statements of income and comprehensive income.

Fair Value Measurement

The Company uses a framework for measuring fair value of all financial instruments that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods, including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to each valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

value. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The estimated fair values of the Company's short-term financial instruments, including cash, trade receivables and accounts payable arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of the line of credit approximates its carrying amount, as the fair value is estimated based on current rates offered to the Company for similar debt of the same remaining maturities. For liabilities such as long-term debt not accounted for at fair value and without quoted market prices, fair value is based upon estimated cash flows adjusted for credit risk, which are discounted using an interest rate appropriate for the maturity of the applicable loans. As such, the fair value of long-term debt approximates its carrying value.

Foreign Assets

The carrying value of the net assets located outside the United States for the Company was approximately \$35.9 million and \$47.9 million at December 31, 2020 and 2019, respectively. Additionally, net sales from foreign operations approximated \$15.6 million and \$19.9 million for 2020 and 2019, respectively. This accounted for approximately 4% and 5% of the total net sales for the years ended December 31, 2020 and 2019, respectively.

Leases

As of January 1, 2019, the Company adopted FASB ASU No. 2016-02, *Leases* ("Topic 842"). The new standard requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. The standard update offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of financial statements



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued two updates to Topic 842 to clarify how to apply certain aspects of the new lease standard, to give entities another option for transition, and to provide lessors with a practical expedient to reduce the cost and complexity of implementing the new standard. The transition option allows entities to not apply the new lease standard in the comparative periods presented in the financial statements in the year of adoption. The Company adopted the new standard using the optional transition method. The reported results for reporting periods after January 1, 2019 are presented under the new lease guidance while prior period amounts were prepared under the previous lease guidance.

The new standard provides a number of optional practical expedients in transition. The Company elected to use the package of practical expedients that allows us to not reassess: (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. The Company additionally elected to use the practical expedient that allows lessees to treat the lease and non-lease components of leases as a single lease component and the practical expedient pertaining to land easements. In addition, the new standard provides for an accounting election that permits a lessee to elect not to apply the recognition requirements of Topic 842 to short-term leases by class of underlying asset. The Company adopted this accounting election for all classes of assets.

The Company has performed an assessment of the impact of the adoption of Topic 842 on the Company's consolidated financial position and results of operations for the Company's leases, which consist of manufacturing facilities, warehouses, office facilities, equipment and vehicle leases. The adoption of the new lease standard on January 1, 2019 resulted in the recognition of right-of-use assets of approximately \$14.9 million and lease liabilities for operating leases of approximately \$15.4 million on the consolidated balance sheets, with no material impact on the consolidated statements of income and comprehensive income or consolidated statements of cash flows. The Company implemented processes and a lease accounting system to ensure adequate internal controls were in place to assess its leasing arrangements and enable proper accounting and reporting of financial information upon adoption. No cumulative effect adjustment was recognized as the amount was not material. Refer to Note 8 Commitments and Contingencies for additional information regarding the Company's adoption of Topic 842.

*Recently Adopted Accounting Pronouncements*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses*, which will require companies to present assets held at amortized cost and available for sale debt securities at the net amount expected to be collected. The guidance requires the measurement of expected credit losses to be based on relevant information from past events, including historical experiences, current conditions and reasonable and supportable forecasts that affect collectability. The guidance became effective for fiscal years and interim periods beginning after December 15, 2019 and primarily affects the Company's estimates of accounts receivable provisions. The adoption of this guidance did not have a material impact on the consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

*Recently Issued Accounting Pronouncements*

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This guidance removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of ASC 740. The guidance will be effective for fiscal years and interim periods beginning after December 15, 2021, and early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the consolidated financial statements.

## NOTE 2 – INVENTORIES

Inventories consisted of the following at December 31, (in thousands):

|                  | 2020             | 2019             |
|------------------|------------------|------------------|
| Raw materials    | \$ 29,678        | \$ 19,889        |
| Work in progress | 546              | 242              |
| Finished goods   | 62,755           | 64,676           |
| Inventories      | <u>\$ 92,979</u> | <u>\$ 84,807</u> |

## NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31, (in thousands):

|                                             | 2020             | 2019             |
|---------------------------------------------|------------------|------------------|
| Land                                        | \$ 680           | \$ 680           |
| Buildings, machinery, tooling and equipment | 33,949           | 29,657           |
| Leasehold improvements                      | 1,068            | 748              |
| Office furniture and equipment              | 3,231            | 2,957            |
| Construction in progress                    | 5,250            | 4,282            |
| Total                                       | <u>44,178</u>    | <u>38,324</u>    |
| Accumulated depreciation and amortization   | <u>(24,357)</u>  | <u>(19,323)</u>  |
| Property and equipment, net                 | <u>\$ 19,821</u> | <u>\$ 19,001</u> |

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2020 and 2019 was approximately \$5.0 million and \$5.1 million, respectively.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 4 – GOODWILL AND INTANGIBLE ASSETS, NET

The carrying value of goodwill as of December 31, 2020 and 2019 is \$55.3 million

At December 31, 2020 and 2019, approximately \$31.0 million and \$34.2 million of goodwill is deductible for tax purposes.

Intangible assets are comprised of the following at December 31, 2020 and 2019 (in thousands):

|                                                   | 2020             | 2019             | Weighted<br>Average Useful<br>Life |
|---------------------------------------------------|------------------|------------------|------------------------------------|
| Amortizable intangible assets                     |                  |                  |                                    |
| Customer relationships                            | \$145,990        | \$145,990        | 9                                  |
| Tradenames - Sterno Home and Rimports             | 7,800            | 7,800            | 8                                  |
| Developed technology                              | 5,200            | 5,200            | 10                                 |
| Patent                                            | 313              | 46               | 15                                 |
| Accumulated amortization – customer relationships | (65,807)         | (50,264)         |                                    |
| Accumulated amortization – tradenames             | (2,938)          | (1,993)          |                                    |
| Accumulated amortization – developed technology   | (2,600)          | (2,080)          |                                    |
| Accumulated amortization – patent                 | (22)             | (18)             |                                    |
| Total amortizable intangible assets, net          | 87,936           | 104,681          |                                    |
| Tradename, not subject to amortization - Sterno   | 30,810           | 30,810           |                                    |
| Total                                             | <u>\$118,746</u> | <u>\$135,491</u> |                                    |

Amortization expense of intangibles was approximately \$17.0 million and \$16.9 million for the years ended December 31, 2020 and 2019, respectively. Estimated charges to amortization expense of intangible assets over the next five years are as follows (in thousands):

Years ending December 31,

|            |           |               |
|------------|-----------|---------------|
| 2021       | \$        | 17,012        |
| 2022       |           | 16,968        |
| 2023       |           | 16,882        |
| 2024       |           | 15,544        |
| 2025       |           | 10,866        |
| Thereafter |           | 10,664        |
| Total      | <u>\$</u> | <u>87,936</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 5 – RELATED-PARTY DEBT

On October 10, 2014, Compass Group Diversified Holdings, LLC (“Compass”) purchased all of the equity of Sterno for approximately \$160.0 million (the “Sterno acquisition”). In connection with the Sterno acquisition, the Company obtained a \$30.0 million revolving line of credit (“Line of Credit”) from Compass, the sole shareholder, originally maturing on October 10, 2020. The Company also obtained a \$45.0 million loan (“Term A Loan”) from Compass, originally maturing on October 10, 2020 or such earlier date pursuant to an event of default as defined. In addition, the Company obtained a \$25.0 million Term B Loan (“Term B Loan”) from Compass in connection with the Sterno acquisition which had an original maturity date of October 10, 2021 or such earlier date pursuant to event of default as defined. The Term B Loan had an interest rate of 12% per annum.

On January 22, 2016, Sterno purchased all of the equity of Northern International, Inc. (“NII”). NII changed its name to Sterno Home, Inc. (“Sterno Home”). In connection with the Sterno Home acquisition, the first amendment to the Credit Agreement, dated as of January 22, 2016, was executed and extended an additional \$26.0 million toward the Term A Loan. On September 28, 2016, the second amendment to the Credit Agreement was executed and increased the capital expenditures limit for fiscal year 2016 to \$3.9 million and increased the capital expenditures limit for any fiscal year thereafter to \$2.5 million. On December 1, 2016, the third amendment to the Credit Agreement was executed which (i) approved an increase to the Term A Loan Commitment of \$8.0 million (the “Additional Term A Loan Commitment”), (ii) advanced an additional Term Loan in an amount equal to the Additional Term A Loan Commitment (the “Additional Term A Loan Proceeds”), (iii) permitted the use of the Additional Term A Loan Proceeds and \$17.0 million of the Line of Credit proceeds to prepay a portion of the Term B Loans then outstanding, and (iv) waived any and all Defaults or Event of Defaults that would otherwise occur as a result of such prepayment of the Term B Loan. As a result, the additional \$8.0 million of the Term A Loan and the \$17.0 million from the Line of Credit was used to pay off the \$25.0 million Term B Loan.

On January 5, 2018, the Company completed a recapitalization whereby the Company entered into an amendment to the related party loan agreement. The fourth amendment to the Credit Agreement was executed which (i) provided for term loan borrowings of \$56.8 million to fund a distribution to Compass, which owned 100% of the outstanding equity of the Company at the time of the recapitalization, and (ii) extended the maturity dates of the Line of Credit and Term A Loan to January 5, 2024 and Term B Loan to January 5, 2025. In connection with the recapitalization, the Company’s management team exercised all of their vested 58,000 stock options, which represented 33,653 shares of the Company in a cashless exercise. The Company then used a portion of the loan proceeds to repurchase the 33,653 shares from management for a total purchase price of \$6.0 million. Acquired shares are held as treasury shares carried at cost in the consolidated balance sheets as of December 31, 2020 and 2019. In addition, the Company issued new stock options to replace the exercised options, thus maintaining the same percentage of fully diluted non-controlling interest that existed prior to the recapitalization.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 5 – RELATED-PARTY DEBT – Continued

On February 26, 2018, the Company completed the acquisition of Rimports for a purchase price of approximately \$145.0 million. Concurrent with the closing of the acquisition of Rimports, the fifth amendment to the Credit Agreement was executed for the advance of additional term loans in the aggregate amount of \$136.0 million, and revolving loans in the amount of \$10.0 million.

On January 9, 2019, the eighth amendment to the Credit Agreement was executed and increased the capital expenditures limit for fiscal year 2019 to \$6.1 million. On March 31, 2019, the ninth amendment to the Credit Agreement was executed and redefined the fiscal year from 2014 to 2019 in relation to the original loan agreement for Mandatory Prepayment clause (2.9.2). On March 30, 2020, the tenth amendment to the Credit Agreement was executed and waived the Excess Cash Flow Prepayment clause (2.9.2) and waived any and all defaults or event of defaults that would occur as a result of such waiver. On October 30, 2020, the eleventh amendment to the Credit Agreement was executed and increased the capital expenditures limit for fiscal year 2020 to \$7.0 million.

As of December 31, 2020 and 2019, the outstanding balance of Term A Loan totaled \$146.2 million and \$165.1 million, respectively. The Term A Loan requires annual payments of \$9.2 million to be paid in quarterly installments of \$2.3 million. As of December 31, 2020 and 2019, the balance for the Term B Loan was \$69.2 million.

The Company pays an unused availability fee quarterly equal to 0.5% of the unused portion of the Line of Credit. At December 31, 2020, \$16.0 million was outstanding under the Line of Credit at an interest rate of 7.3%. At December 31, 2019, \$7.6 million was outstanding under the Line of Credit at an interest rate of 7.1%. As of December 31, 2020 and 2019 the unused portion of the Line of Credit was \$24.0 million and \$32.4 million, respectively.

The Line of Credit and Term A Loan allow for loans at either the base rate or London InterBank Offered Rate (“LIBOR”), as defined. Base rate loans bear interest at a fluctuating rate per annum equal to the greater of (i) the prime rate of interest published by the Wall Street Journal or (ii) the sum of the Federal Funds Rate plus 0.5% for the relevant period, plus the applicable margin below. The base rate at December 31, 2020 for Line of Credit and Term A loan was 3.25%, plus the Applicable Margin of 4.00%.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 5 – RELATED-PARTY DEBT – Continued

LIBOR loans bear interest at a fluctuating rate per annum equal to the LIBOR for the relevant period, plus the applicable margin below:

|                                            | Line of Credit and Term A |              |
|--------------------------------------------|---------------------------|--------------|
|                                            | <u>Base Loan</u>          | <u>LIBOR</u> |
| Total debt to EBITDA ratio:                |                           |              |
| Less than 2.0:1.00                         | 3.50                      | 4.50         |
| Greater than 2.0:1.0 but less than 3.0:1.0 | 3.75                      | 4.75         |
| Greater than 3.0:1.0 but less than 4.0:1.1 | 4.00                      | 5.00         |
| Greater than 4.0:1.0 but less than 5.0:1.2 | 4.25                      | 5.25         |
| Greater than 5.0:1.0                       | 4.50                      | 5.50         |

The Company also has a \$63 thousand letter of credit from an external bank which is backed by a \$63 thousand letter of credit from Compass. Letters of credit under this separate facility totaling \$63 thousand were outstanding at December 31, 2020 and 2019. The Company is required to pay letter of credit fees equal to 1.75% per annum.

The loans and Line of Credit with Compass are collateralized by the Company's right, title and interest in the Company's net assets. The loan agreements also include certain financial covenants including, but not limited to, requirements to maintain certain fixed charges and leverage ratios. The Company was in compliance with all financial covenants at December 31, 2020 and 2019.

Long-term debt and the related current portion as of December 31, 2020 and 2019 consist of the following (in thousands):

|                         | <u>2020</u>      | <u>2019</u>      |
|-------------------------|------------------|------------------|
| Term A Loan             | \$146,226        | \$165,144        |
| Term B Loan             | 69,213           | 69,213           |
| Debt issuance costs     | (1,347)          | (1,775)          |
| Total                   | 214,092          | 232,582          |
| Less: current portion   | 9,230            | 9,230            |
| Total long-term portion | <u>\$204,862</u> | <u>\$223,352</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 5 – RELATED-PARTY DEBT – Continued

Schedule of future maturities of long-term debt is as follows at December 31, (in thousands):

|       |                   |
|-------|-------------------|
| 2021  | \$ 9,230          |
| 2022  | 9,230             |
| 2023  | 9,230             |
| 2024  | 118,536           |
| 2025  | <u>69,213</u>     |
| Total | <u>\$ 215,439</u> |

As of December 31, 2020 and 2019, debt issuance costs included on the accompanying consolidated balance sheets totaled \$1.6 million and \$2.0 million, respectively. Debt issuance costs consist of loan fees associated with the related party debt. Loan fee amortization expense included in the accompanying consolidated statements of income and comprehensive income was \$451 thousand for the years ended December 31, 2020 and 2019, respectively.

## NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at December 31, (in thousands):

|                                           | 2020             | 2019             |
|-------------------------------------------|------------------|------------------|
| Accounts payable                          | \$ 36,438        | \$ 29,561        |
| Accrued payroll, commissions and benefits | 5,090            | 4,951            |
| Accrued rebates, returns and other        | 5,170            | 6,783            |
| Accrued interest                          | 450              | 347              |
| Income taxes payable and other taxes      | 2,694            | 3,121            |
| Other accrued expenses                    | 791              | 646              |
| Total                                     | <u>\$ 50,633</u> | <u>\$ 45,409</u> |



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 7 – INCOME TAXES

The provision for income taxes at December 31, 2020 and 2019 is as follows (in thousands):

|                                       | 2020            | 2019            |
|---------------------------------------|-----------------|-----------------|
| Current income tax expense            |                 |                 |
| Federal                               | \$ 2,637        | \$ 5,117        |
| State                                 | 992             | 924             |
| Foreign                               | 444             | 464             |
| Total current income tax expense      | <u>4,073</u>    | <u>6,505</u>    |
| Deferred income tax expense (benefit) |                 |                 |
| Federal                               | 158             | (761)           |
| State                                 | (79)            | (128)           |
| Foreign                               | (1,809)         | (228)           |
| Total deferred income tax benefit     | <u>(1,730)</u>  | <u>(1,117)</u>  |
| Total income tax expense              | <u>\$ 2,343</u> | <u>\$ 5,388</u> |

At December 31, 2020 and 2019, the Company's federal and state income tax payable totaled \$2.0 million and \$2.4 million, respectively, and was included in accounts payable and accrued expenses on the accompanying consolidated balance sheets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 7 – INCOME TAXES – Continued

The tax effects of temporary differences that have resulted in the creation of deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019, are as follows (in thousands):

|                                          | 2020              | 2019              |
|------------------------------------------|-------------------|-------------------|
| Deferred tax assets                      |                   |                   |
| Accrued expenses                         | \$ 92             | \$ 485            |
| Inventory reserve                        | 1,933             | 1,312             |
| Stock options                            | 1,692             | 1,230             |
| Unicap                                   | 215               | 182               |
| Allowance for doubtful accounts          | 62                | 34                |
| Deferred interest                        | -                 | 604               |
| Operating lease right-of-use assets      | 2,602             | 2,935             |
| Deferred tax assets                      | <u>\$ 6,596</u>   | <u>\$ 6,782</u>   |
| Deferred tax liabilities                 |                   |                   |
| Intangible assets                        | \$ (2,419)        | \$ (4,065)        |
| Depreciation                             | (2,235)           | (2,063)           |
| Prepaid expenses                         | (284)             | (383)             |
| Operating lease right-of-use liabilities | (2,520)           | (2,878)           |
| Other                                    | (37)              | (22)              |
| Deferred tax liabilities                 | <u>\$ (7,495)</u> | <u>\$ (9,411)</u> |
| Total net deferred tax liabilities       | <u>\$ (899)</u>   | <u>\$ (2,629)</u> |

At December 31, 2020 and 2019, the Company had no material federal or state net operating loss carryforwards. The Company had no foreign net operating loss carryforwards.

The Company applies a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit or obligation as the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments. As of December 31, 2020, the Company continued to have no material unrecognized tax benefits in its consolidated financial statements and, therefore, did not record a liability for unrecognized tax benefits.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 7 – INCOME TAXES – Continued

Interest and penalties related to unrecognized tax benefits will be recognized in income tax expense. As of December 31, 2020 and 2019, no interest or penalties were included in income tax expense.

The Company is subject to U.S. federal, state, local and foreign income tax, and in the normal course of business, its income tax returns are subject to examination by the relevant taxing authorities. In December 2020, the Company was notified of a pending audit of its 2017 and 2018 California Franchise Tax Returns. As of the date of the financial statements, the Company is unaware of any specific issues or areas of exposure that will arise in this audit. The Company is unaware of any additional ongoing or pending income tax audits.

## NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

The Company entered into a lease for its Corona, California facility during December 2012. The lease term is through March 2023, and the maximum lease payment under the agreement is approximately \$21 thousand per month.

For Sterno, the Company leases several facilities in Memphis, Tennessee. For the first facility, the lease term is through March 2023, and the maximum lease payment under the agreement is approximately \$18 thousand per month. A second facility was leased on July 2020 through June 2021, and the maximum lease payment under the agreement is approximately \$5 thousand per month. On October 2020, a third facility was leased through September 2021, and the maximum lease payment under the agreement is approximately \$6 thousand per month. The Company also leases its facility in Texarkana, Texas. The lease term is through July 2026, and the maximum lease payment under the agreement is approximately \$18 thousand per month. The Company also leases a second facility in Texarkana, Texas. The lease term is through February 2023, and the maximum lease payment under the agreement is approximately \$23 thousand per month.

For Sterno Home, the Company leases a facility in Coquitlam, British Columbia. The lease term is through December 2023, and the maximum lease payment under the agreement is approximately \$93 thousand per month. The Company also leases its facility in Toronto. The lease term is through April 2021, and the maximum lease payment under the agreement is approximately \$15 thousand per month. The Company also leases an office facility in Montreal. The lease term is through August 2021, and the maximum lease payment under the agreement is approximately \$6 thousand per month. The Company also leases its facility in Yuyao, China. The lease term is through March 2021, and the maximum lease payment under the agreement is less than \$1 thousand per month. The Company also leases another facility in Yuyao, China. The lease term is through June 2023, and the maximum lease payment under the agreement is less than \$2 thousand per month.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 8 – COMMITMENTS AND CONTINGENCIES – Continued

For Rimports, the Company leases a facility in Provo, Utah. The lease term is through May 2023, and the maximum lease payment under the agreement is approximately \$83 thousand per month. The Company also leases its facility in Spanish Fork, Utah. The lease term is through March 2023, and the maximum lease payment under the agreement is approximately \$164 thousand per month. The Company also leases its facility in Calgary, Canada. The lease term is through July 2024, and the maximum lease payment under the agreement is approximately \$22 thousand per month. The Company also leases its facility in Bentonville, Arkansas. The lease term is through April 2023, and the maximum lease payment under the agreement is approximately \$4 thousand per month.

The Company and its subsidiaries lease manufacturing facilities, warehouses, office facilities, equipment and vehicles under various operating agreements. Certain of the leases are subject to escalation clauses and renewal periods. The Company and its subsidiaries recognize lease expense, including predetermined fixed escalations, on a straight-line basis over the initial term of the lease including reasonably certain renewal periods from the time that the Company and its subsidiaries control the leased property. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets. A lease expense for these leases is recognized over the lease term on a straight-line basis.

Rent expense for the years ended December 31, 2020 and 2019 totaled \$5.7 million and \$5.5 million, respectively.

The maturities of lease liabilities at December 31, 2020 were as follows (in thousands):

|                                    |                  |
|------------------------------------|------------------|
| 2021                               | \$ 5,349         |
| 2022                               | 5,337            |
| 2023                               | 2,555            |
| 2024                               | 432              |
| 2025                               | 303              |
| Thereafter                         | 135              |
| Total undiscounted lease payments  | 14,111           |
| Less: Interest                     | 1,536            |
| Present value of lease liabilities | <u>\$ 12,575</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 8 – COMMITMENTS AND CONTINGENCIES – Continued

The calculated amount of the right-of-use assets and liabilities in the table above are impacted by the length of the lease term and discount rate used to calculate the present value of the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. Regarding the discount rate, Topic 842 requires the use of a rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes the incremental borrowing rate of the subsidiary entering into the lease arrangement, on a collateralized basis, over a similar term as adjusted for any country-specific risk. For operating leases existing prior to January 1, 2019, the rate for the remaining lease term as of January 1, 2019 was used.

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of December 31, 2020 and 2019:

|                                       | 2020       | 2019       |
|---------------------------------------|------------|------------|
| Weighted-average remaining lease term | 2.76 years | 4.58 years |
| Weighted-average discount rate        | 6.76%      | 7.11%      |

Supplemental cash flow information related to leases were as follows as of December 31, 2020 and 2019 (in thousands):

|                                                                         | 2020    | 2019    |
|-------------------------------------------------------------------------|---------|---------|
| Cash paid for amounts included in the measurement of lease liabilities: |         |         |
| Operating cash flows from operating leases                              | \$5,182 | \$4,980 |
| Right of use assets obtained in exchange for lease obligations:         |         |         |
| Operating leases                                                        | \$794   | \$3,408 |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 8 – COMMITMENTS AND CONTINGENCIES – Continued

Litigation

The Company is subject to certain outside claims and litigation arising in the ordinary course of business. In the opinion of the Company's management, the outcome of such matters will not have a significant adverse effect on the financial position or results of operations of the Company.

## NOTE 9 – RELATED-PARTY TRANSACTIONS

Compass Group Management LLC ("CGM") provides management services to the Company. The Company pays CGM a quarterly management fee. The management fee expense for the years ended December 31, 2020 and 2019 totaled approximately \$500 thousand for each year, which is reflected in selling, general and administrative expenses in the consolidated statements of income and comprehensive income.

## NOTE 10 – RETIREMENT PLAN

The Company offers a 401(k) savings plan to all employees meeting minimum age and service requirements. Each employee is able to defer the maximum annual amount allowed by the Internal Revenue Service. The Company may contribute up to 5% of each employee's salary based on the amount of salary deferred by the employee. During the years ended December 31, 2020 and 2019, the Company made matching contributions to the plan totaling \$155 thousand and \$451 thousand, respectively.

## NOTE 11 – STOCK-BASED COMPENSATION

The Company's 2014 Stock Option Plan (the "Plan") provides for non-qualified stock options to purchase shares of the Company's common stock, which may be granted to employees. The Plan is administered by the Board of the Company or, if established by the Board, the Compensation Committee of the Board, which has the authority to determine the type of incentive award, as well as the terms and conditions of the awards, under the Plan. Shares under the Plan are available for grant from authorized, but unissued shares of the Company. Any granted shares that are released from an option for any reason become available for other options to be granted under the Plan.

In connection with the recapitalization completed on January 2018 (see Note 5 Related Party Debt), the Company's management team exercised all of their vested stock options, which represented 58,000 shares. In addition, the Company issued new stock options to replace the exercised options, thus maintaining the same percentage of fully diluted non-controlling interest that existed prior to the recapitalization.

Under the plan, 160,000 shares of common stock were available for grant. At December 31, 2020, there were 30,000 remaining options available for grant under the Plan and 130,000 options outstanding. Options generally vest at 20% per year and are fully vested at the end of the fifth year. Options continue in force and are exercisable through the tenth anniversary of the grant date, unless terminated sooner.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 11 – STOCK-BASED COMPENSATION - Continued

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted. The expected life represents the period the Company's equity-based awards are expected to be outstanding. The Company uses the simplified method for estimating expected life. The simplified method does not require the use of historical or post-vesting exercise data. Estimated volatilities are based on an analysis of comparable companies and the Company's leverage. The Company bases the risk-free interest rate on the implied yield currently available on U.S. Treasury strips maturing at the expected option term. The Company has never paid dividends and does not anticipate doing so over the expected life of the options and therefore used 0% for dividend yield.

The estimated values of stock option grants, as well as the weighted-average assumptions used in calculating these values for the years ended December 31, 2020 and 2019 were based on estimates at the date of grant as follows:

|                         | 2020  | 2019  |
|-------------------------|-------|-------|
| Expected term in years  | 7.5   | 7.5   |
| Expected volatility     | 35%   | 31.2% |
| Risk free interest rate | 1.01% | 2.51% |
| Dividend yield          | 0.00% | 0.00% |

As of December 31, 2020, there was approximately \$2.9 million of total unrecognized stock-based compensation expense under the Plan that will be recognized over a period of approximately 3.78 years. The Company recorded pre-tax compensation expense of \$1.2 million for the years ended December 31, 2020 and 2019. Stock compensation expense is included in selling, general and administrative expenses in the accompanying consolidated statements of income and comprehensive income.



## SternoCandleLamp Holdings, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019

## NOTE 11 – STOCK-BASED COMPENSATION - Continued

A summary of the Company's stock option activity and related information for the Plan was as follows:

|                                  | Number of<br>Shares | Weighted<br>Average<br>Exercise Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life |
|----------------------------------|---------------------|---------------------------------------|---------------------------------------------------------|
| Outstanding at December 31, 2019 | 130,000             | \$ 117.29                             |                                                         |
| Granted                          | 12,500              | 303.22                                |                                                         |
| Cancelled                        | (12,500)            | 129.61                                |                                                         |
| Outstanding at December 31, 2020 | <u>130,000</u>      | <u>\$ 133.98</u>                      | 6.2 years                                               |
| Exercisable at December 31, 2020 | <u>68,500</u>       | <u>\$ 39.86</u>                       | 5.1 years                                               |

The aggregate intrinsic value of shares outstanding and shares exercisable at December 31, 2020 was \$22.0 million. The weighted average grant-date fair value of options granted during the years ended December 31, 2020 and 2019 was \$118.86 and \$109.57, respectively. Total fair value of shares vested during the years ended December 31, 2020 and 2019 was \$1.5 million and \$1.1 million, respectively. No options were exercised in 2020 and 2019.

## NOTE 12 – SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through March 10, 2021, the date the financial statements were available to be issued.

Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**SternoCandleLamp Holdings, Inc. and  
Subsidiaries**

As of and for the years ended December 31, 2021 and 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
SternoCandleLamp Holdings, Inc.

**Opinion**

We have audited the consolidated financial statements of SternoCandleLamp Holdings, Inc., (a California corporation) and subsidiaries, (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in stockholder's equity, 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 the Company as of December 31, 2021 and 2020, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 the Company 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 the Company's ability to continue as a going concern for one year after the date the financial statements are issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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 US 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 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 the Company'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 the Company'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.

*Grant Thornton LLP*

Newport Beach, California  
March 4, 2022

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

December 31

(in thousands, except share data)

| ASSETS                                                                                                                                                |  | 2021              | 2020              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------------|-------------------|
| Current assets                                                                                                                                        |  |                   |                   |
| Cash and cash equivalents                                                                                                                             |  | \$ 1,329          | \$ 3,358          |
| Trade receivables, net of allowances                                                                                                                  |  | 67,165            | 64,968            |
| Inventories                                                                                                                                           |  | 93,316            | 92,979            |
| Prepaid expenses and other current assets                                                                                                             |  | 2,182             | 2,145             |
| Total current assets                                                                                                                                  |  | 163,992           | 163,450           |
| Property and equipment, net                                                                                                                           |  | 18,209            | 19,821            |
| Intangible assets, net                                                                                                                                |  | 100,061           | 118,746           |
| Goodwill                                                                                                                                              |  | 55,336            | 55,336            |
| Operating lease right-of-use assets, net                                                                                                              |  | 27,449            | 11,931            |
| Other assets                                                                                                                                          |  | 685               | 794               |
| Total assets                                                                                                                                          |  | <u>\$ 365,732</u> | <u>\$ 370,078</u> |
| LIABILITIES AND STOCKHOLDER'S EQUITY                                                                                                                  |  |                   |                   |
| Current liabilities                                                                                                                                   |  |                   |                   |
| Current portion, long-term debt - related party                                                                                                       |  | \$ 9,230          | \$ 9,230          |
| Accounts payable                                                                                                                                      |  | 37,269            | 36,438            |
| Accrued and other expenses                                                                                                                            |  | 15,412            | 14,195            |
| Operating lease liabilities, short term                                                                                                               |  | 5,089             | 4,605             |
| Total current liabilities                                                                                                                             |  | 67,000            | 64,468            |
| Deferred taxes                                                                                                                                        |  | 1,320             | 899               |
| Line of credit - related party                                                                                                                        |  | 7,500             | 16,000            |
| Long-term debt, net of current portion - related party                                                                                                |  | 189,960           | 204,862           |
| Operating lease liabilities, long-term                                                                                                                |  | 23,078            | 7,970             |
| Total liabilities                                                                                                                                     |  | 288,858           | 294,199           |
| Commitments and contingencies (refer to Note 8)                                                                                                       |  |                   |                   |
| Stockholder's equity                                                                                                                                  |  |                   |                   |
| Common stock - \$0.001 par value, 1,500,000 shares authorized, 1,033,653 shares issued and 1,000,000 shares outstanding at December 31, 2021 and 2020 |  | 1                 | 1                 |
| Additional paid-in capital                                                                                                                            |  | 82,533            | 81,291            |
| Treasury stock at cost (33,653 shares)                                                                                                                |  | (6,013)           | (6,013)           |
| Accumulated other comprehensive income                                                                                                                |  | 71                | 2                 |
| Accumulated earnings                                                                                                                                  |  | 282               | 598               |
| Total stockholder's equity                                                                                                                            |  | 76,874            | 75,879            |
| Total liabilities and stockholder's equity                                                                                                            |  | <u>\$ 365,732</u> | <u>\$ 370,078</u> |

See notes to consolidated financial statements.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2021 and 2020

(in thousands)

|                                              | 2021            | 2020            |
|----------------------------------------------|-----------------|-----------------|
| Net sales                                    | \$ 375,127      | \$ 369,981      |
| Cost of goods sold                           | <u>303,117</u>  | <u>291,778</u>  |
| Gross profit                                 | 72,010          | 78,203          |
| Selling, general and administrative expenses | <u>51,981</u>   | <u>52,421</u>   |
| Operating income                             | 20,029          | 25,782          |
| Related party interest expense               | 18,322          | 19,017          |
| Amortization of debt issuance costs          | 451             | 451             |
| Loss on disposal of assets                   | 152             | 81              |
| Other (income) expense, net                  | <u>(1,189)</u>  | <u>71</u>       |
| Income before income taxes                   | 2,293           | 6,162           |
| Provision for income taxes                   | <u>2,609</u>    | <u>2,343</u>    |
| Net (loss) income                            | (316)           | 3,819           |
| Foreign currency translation adjustment      | <u>69</u>       | <u>14</u>       |
| Comprehensive (loss) income                  | <u>\$ (247)</u> | <u>\$ 3,833</u> |

See notes to consolidated financial statements.



## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

For the years ended December 31, 2021 and 2020

(in thousands, except share data)

|                                   | <u>Common Stock</u>      |               | Additional<br>Paid-In<br>Capital | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>(Loss) Income | Accumulated<br>(Deficit)<br>Earnings | Total<br>Stockholder's<br>Equity |
|-----------------------------------|--------------------------|---------------|----------------------------------|-------------------|--------------------------------------------------------|--------------------------------------|----------------------------------|
|                                   | <u>Shares<br/>Issued</u> | <u>Amount</u> |                                  |                   |                                                        |                                      |                                  |
| Balance, January 1, 2020          | 1,033,653                | \$ 1          | \$ 80,124                        | \$ (6,013)        | \$ (12)                                                | \$ (3,221)                           | \$ 70,879                        |
| Stock compensation expense        | -                        | -             | 1,167                            | -                 | -                                                      | -                                    | 1,167                            |
| Net income                        | -                        | -             | -                                | -                 | -                                                      | 3,819                                | 3,819                            |
| Foreign currency translation gain | -                        | -             | -                                | -                 | 14                                                     | -                                    | 14                               |
| Balance, December 31, 2020        | <u>1,033,653</u>         | <u>\$ 1</u>   | <u>\$ 81,291</u>                 | <u>\$ (6,013)</u> | <u>\$ 2</u>                                            | <u>\$ 598</u>                        | <u>\$ 75,879</u>                 |
| Stock compensation expense        | -                        | -             | 1,242                            | -                 | -                                                      | -                                    | 1,242                            |
| Net loss                          | -                        | -             | -                                | -                 | -                                                      | (316)                                | (316)                            |
| Foreign currency translation gain | -                        | -             | -                                | -                 | 69                                                     | -                                    | 69                               |
| Balance, December 31, 2021        | <u>1,033,653</u>         | <u>\$ 1</u>   | <u>\$ 82,533</u>                 | <u>\$ (6,013)</u> | <u>\$ 71</u>                                           | <u>\$ 282</u>                        | <u>\$ 76,874</u>                 |

See notes to consolidated financial statements.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(in thousands)

|                                                                                          | 2021      | 2020      |
|------------------------------------------------------------------------------------------|-----------|-----------|
| Cash flows from operating activities:                                                    |           |           |
| Net (loss) income                                                                        | \$ (316)  | \$ 3,819  |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |           |           |
| Depreciation expense                                                                     | 4,141     | 5,048     |
| Amortization expense                                                                     | 18,777    | 17,012    |
| Amortization of debt issuance costs                                                      | 451       | 451       |
| Stock-based compensation expense                                                         | 1,242     | 1,167     |
| Deferred taxes                                                                           | 422       | (1,730)   |
| Provision for inventory reserve                                                          | 5,518     | (1,167)   |
| Provision for doubtful accounts                                                          | (484)     | 3,213     |
| Loss on disposal of assets                                                               | 152       | 81        |
| Changes in operating assets and liabilities:                                             |           |           |
| Trade receivables                                                                        | (1,713)   | (9,945)   |
| Prepaid expenses and other current assets                                                | 47        | 2,379     |
| Inventories                                                                              | (5,855)   | (7,005)   |
| Accounts payable                                                                         | 1,611     | 4,445     |
| Accrued and other expenses                                                               | 437       | 130       |
| Operating lease asset, net                                                               | 74        | 119       |
| Net cash provided by operating activities                                                | 24,504    | 18,017    |
| Cash flows from investing activities:                                                    |           |           |
| Purchases of property and equipment                                                      | (2,680)   | (6,130)   |
| Registration of patents                                                                  | (92)      | (86)      |
| Net cash used in investing activities                                                    | (2,772)   | (6,216)   |
| Cash flows from financing activities:                                                    |           |           |
| Borrowings on loans and line of credit, net loan origination fees                        | 33,500    | 57,200    |
| Payments on loans and line of credit                                                     | (57,330)  | (67,730)  |
| Net cash used in financing activities                                                    | (23,830)  | (10,530)  |
| Foreign currency impact on cash                                                          | 69        | 14        |
| Net (decrease) increase in cash and equivalents                                          | (2,029)   | 1,285     |
| Cash and cash equivalents beginning of period                                            | 3,358     | 2,073     |
| Cash and cash equivalents end of period                                                  | \$ 1,329  | \$ 3,358  |
| Supplemental disclosures of cash flow information                                        |           |           |
| Cash paid during the year for:                                                           |           |           |
| Interest expense - related party                                                         | \$ 18,582 | \$ 18,914 |
| Income taxes                                                                             | \$ 4,552  | \$ 4,104  |

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

SternoCandleLamp Holdings, Inc. (the “Company”), headquartered in Corona, California, is the ultimate parent company of Sterno, LLC (“Sterno” f.k.a. Sterno Products, LLC), Sterno Home, Inc. (“Sterno Home”), Sterno Delivery, LLC (“Sterno Delivery”) and Rimports, LLC (“Rimports”). The Company operates via three product divisions:

- Sterno – Sterno offers a broad range of wick and gel chafing fuels, liquid and traditional wax candles, butane stoves and accessories, and catering equipment and lamps for restaurants, hotel and home entertainment uses, selling both Sterno Brand and private label. Sterno also has a division called Sterno Delivery, which develops, manufactures, and delivers hot and cold carriers and coolers for school nutrition, catering events, pizza delivery, meal and drink delivery, and stadiums.
- Sterno Home - Sterno Home's product offerings include a full line of innovative patented flameless candles, traditional house and garden lighting including path lights, spotlights, bollards, coach and security lights as well as emerging décor categories of illuminated products such as post caps, deck, patio and fence lighting and other novelty products including stick lights, string lights, baskets and lanterns. The flameless candles and novelty lighting are powered by solar or battery power, and the more traditional outdoor lighting fixtures are driven via solar power or low voltage technologies.
- Rimports - Rimports is a manufacturer and distributor of branded and private label wickless candle products used for home decor and fragrance systems under the ScentSationals, Better Home & Garden, AmbiEscent, Oak & Rye, Estate and Ador brands. Rimports offers lines of wickless candle products including ceramic wax warmers, scented wax cubes and essential oil and diffusers.

The Company operates out of its corporate headquarters in Corona, California; two manufacturing facilities in Texarkana, Texas and Memphis, Tennessee; Sterno Delivery’s facility in La Porte, Indiana; and Rimports’ facility in Provo, Utah.

The Company’s significant accounting policies are as follows:

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (Sterno, Sterno Delivery, Sterno Home and Rimports) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant intercompany transactions and accounts have been eliminated.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions made by management are used for, but not limited to, the fair value of identifiable intangible assets, the recoverability of the carrying value of long-lived and intangible assets and goodwill, the realization of trade receivables, the accrual for rebates, reserves for slow-moving or obsolete inventory, and the establishment of valuation allowance on deferred income taxes. Actual results could differ from these estimates.

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities.

Performance Obligations - Revenues are recognized when control of the promised goods is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods and services. Each product represents a separate performance obligation. The Company determines standalone selling prices based on the price at which the performance obligation is sold separately. The standalone selling price is directly observable as it is the price at which the Company sells its products separately to the customer. As the Company does not meet any of the requirements for over time recognition for any of its products, it recognizes revenue based on the point in time criteria based on the definition of control, which is generally upon shipment terms for products.

Shipping and Handling Costs - Costs associated with shipment of products to a customer are accounted for as a fulfillment cost and are included in cost of goods sold. The Company accounts for shipping and handling activities performed after control of a good has been transferred to the customer as a fulfillment cost and not a performance obligation. Therefore, both revenue and costs of shipping and handling are recorded at the same time.

Warranty - For product sales, the Company provides standard assurance-type warranties as the Company only warrants its products against defects in materials and workmanship (i.e., manufacturing flaws). Although the warranties are not required by law, the tasks performed over the warranty period are only to remediate instances when products do not meet the promised specifications. Customers do not have the option to purchase warranties separately. The Company's warranty periods generally range from 90 days to one year depending on the nature of the product and are consistent with industry standards. The periods are reasonable to assure that products conform to specifications. The Company does not have a history of performing activities outside the scope of the standard warranty.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Variable Consideration - The Company's policy around estimating variable consideration related to sales incentives (early pay discounts, rights of return, rebates, chargebacks, and other discounts) included in certain customer contracts are recorded as a reduction in the transaction price. The Company applies the expected value method to estimate variable consideration. These estimates are based on historical experience, anticipated performance and the Company's best judgment at the time and as a result, reflect applicable constraints. The Company includes in the transaction price an amount of variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue from product sales is presented net of rebates, returns and other allowances. The Company recorded approximately \$32.7 million and \$30.3 million for rebates and incentive allowances against revenue during the years ended December 31, 2021 and 2020, respectively. The accrual for rebates and incentive allowances is based on terms of contractual arrangements and historical experience and is recorded in accrued expenses in the Company's consolidated balance sheets.

Sales and Other Similar Taxes - The Company notes that under its contracts with customers, the customer is responsible for all sales and other similar taxes, which the Company will invoice the customer for if they are applicable. The Company excludes sales taxes and similar taxes from the measurement of transaction price.

Cost to Obtain a Contract – The Company recognized the incremental costs of obtaining a contract as an expense when incurred as the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Disaggregated Revenue - Revenue Streams and Timing of Revenue Recognition - The Company disaggregates revenue by strategic business unit and by product for each strategic business unit which are categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. This disaggregation also represents how the Company evaluates its financial performance, as well as how the Company communicates its financial performance to the other users of its consolidated financial statements. Each strategic business unit represents the Company's different products.

The following table sets forth the Company's net sales by product for the years ended December 31, 2021 and 2020 (in thousands):

|                                                        | 2021              | 2020              |
|--------------------------------------------------------|-------------------|-------------------|
| Canned heat, table lighting, and hand sanitizer        | \$ 101,000        | \$ 65,819         |
| Flameless and outdoor lighting                         | 45,757            | 51,615            |
| Wickless candle products, diffusers and essential oils | 228,370           | 252,547           |
|                                                        | <u>\$ 375,127</u> | <u>\$ 369,981</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents in bank deposit accounts. The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2021 and 2020, the Company had issued \$285 thousand and \$0 of checks in excess of funds available, respectively, recorded under accounts payable and accrued expenses in the consolidated balance sheets.

Trade Receivables

Credit is extended in the form of trade receivables based on an evaluation of each customer's financial condition, and collateral is not required. Trade receivables are carried at original invoice amount less estimates made for doubtful receivables, customer chargebacks, markdowns and returns. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. No interest is charged on customer accounts. The Company's Rimports unit maintains an allowance for customer chargebacks for items such as markdowns and defective units based on historical experience and management's knowledge of its customers' receiving and payment practices. As of December 31, 2021 and 2020, the allowance for chargebacks was \$4.9 million and \$4.5 million, respectively. As of December 31, 2021 and 2020, the allowance for doubtful accounts was \$144 thousand and \$1.0 million, respectively.

Inventories

Inventories are stated at the lower of cost (determined on a weighted-average method) or net realizable value. Inventory consists of raw materials, work in progress, shipping supplies and finished goods. The Company reserves for slow-moving and obsolete inventory when management determines an item should be reserved based on historical movement.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The cost of major additions or betterments is capitalized, while maintenance and repairs that do not improve or extend the useful lives of the related assets are expensed as incurred. Leasehold improvements are amortized over the shorter of the term of the lease or their estimated useful lives.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Depreciation is recorded primarily by the straight-line method over the following estimated useful lives of the related assets:

|                                  | <u>Years</u> |
|----------------------------------|--------------|
| Buildings                        | 25           |
| Machinery, tooling and equipment | 2-15         |
| Office furniture and equipment   | 3-7          |

Long-Lived Assets

Long-lived assets, which include property, plant and equipment and amortizable intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that an asset may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets are written down to the estimated fair value, and such loss is recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets was identified in the years ended December 31, 2021 and 2020.

Amortization of Intangible Assets

Intangible assets subject to amortization are amortized on the straight-line method over their estimated useful lives. Changes in circumstance, such as a significant decline in the Company's viability, could result in the actual useful lives differing from initial estimates. In those cases where the Company determines that the useful life of a long-lived asset should be revised, the Company will amortize the net book value over its revised remaining useful life.

The Company believes that the "Sterno" trade name is an indefinite life intangible asset. An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economics, or any other factors that may limit the period over which the asset is expected to contribute directly or indirectly to future cash flows. The evaluation of impairment for indefinite life intangible assets is performed by a comparison of the asset's carrying value to the asset's fair value. When the carrying value exceeds fair value, an impairment charge is recorded for the amount of the difference. Management determined that no impairment of its trade name had occurred in the years ended December 31, 2021 and 2020.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Goodwill

The Company evaluates goodwill for impairment on an annual basis or whenever events or circumstances have indicated that the carrying amount of a reporting unit may be impaired. The Company has determined that it has one reporting unit, which is subject to impairment testing. The Company assesses qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount using a qualitative approach, then an additional analysis is performed using the reporting unit's discounted cash flows to further determine whether the fair value is less than the reporting unit's carrying value. If the excess of the fair value of the reporting unit over the fair value of the identifiable assets and liabilities is less than the carrying value of the unit's goodwill, an impairment charge is recorded for the difference. There was no impairment of goodwill in the years ended December 31, 2021 and 2020.

Debt Issuance Costs

Debt issuance costs are amortized over the life of the respective loans using the effective interest method as it related to term debt and the straight-line method related to the revolving credit agreement. Issuance costs related to debt are presented in the consolidated balance sheets as a direct deduction from the carrying amount of the associated debt liability. Issuance costs related to a revolving credit facility are included in prepaid expenses and other current assets in the consolidated balance sheets.

For the years ended December 31, 2021 and 2020, amortization of debt issuance costs was \$451 thousand. See Note 5 Related Party Debt.

Income Taxes

The Company accounts for income taxes under the asset and liability method under which it recognizes deferred income taxes, net of valuation allowances, if any, for the estimated future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and its tax bases and net operating loss and tax credit carryforwards. The Company may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Company has such an assessment from a taxing authority, it is its accounting policy to recognize any interest and penalties as a component of income tax.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which included a range of tax relief provisions for corporations, individuals and other taxpaying entities.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the “2017 Act”). In connection with the 2017 Act, the Company was subject to the transition tax on unrepatriated foreign earnings, pursuant to Section 965. The Company’s total resulting tax under Section 965 was \$321 thousand. The Company elected to pay the tax in installments. As of December 31, 2021, a balance of \$193 thousand is to be paid via installments through 2024.

The 2017 Act, as discussed above, created a new limitation on the deduction of corporate interest under Section 163(j). In simple terms, interest expense for any given year is limited to 30% of “tax EBITDA”. Any disallowed amount was carried forward indefinitely to future periods and is subject to that year’s limitation. We estimate that the Company will have no current year limitation and as a result, the Company shows no deferral of interest deductions as of December 31, 2021.

Advertising

Advertising costs are expensed as incurred and is included in selling, general and administrative expense in the consolidated statements of income and comprehensive income. For the years ended December 31, 2021 and 2020, advertising expense was approximately \$1.1 million.

Accounting for Stock-Based Compensation

Stock-based compensation cost is calculated on the date of grant using the estimated fair value of the option as determined using the Black-Scholes option pricing model. The compensation cost is then amortized ratably over the vesting period of the individual option grants. The Black-Scholes valuation calculation requires the Company to estimate key assumptions including the expected term, volatility and interest rates to determine the fair value of the stock options. The estimate of these key assumptions is based on an analysis of comparable companies, the Company’s leverage and judgment regarding market factors and trends. Authoritative guidance also requires that forfeitures be estimated at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

COVID-19 Risks Relating to our Business

The COVID-19 pandemic resulted in additional risks that may adversely affect our business, financial condition, results of operations and cash flows.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The emergence of COVID-19 and new variants of the virus around the world continue to present significant risks to our

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

business. The economic and health conditions in the United States and across most of the globe have continued to change since the beginning of the pandemic and the ultimate impact of COVID-19 on our business is dependent on future developments, including the duration of the pandemic, the emergence of variants of the virus and the related length of its impact on the global economy, which are highly uncertain and difficult to accurately predict. The public health situation, global response measures and corresponding impacts on various markets remain fluid and uncertain. The health of our team and various stakeholders is our highest priority, and we have taken multiple steps to provide support and a safe work environment.

The Company anticipates that COVID-19 will continue to impact the results of operations including a potential decrease in gross margins, operating income and EBITDA during the early part of 2022.

Additionally, disruption in the global supply chain due to transportation delays and U.S. port congestion are expected to continue in 2022 and continue to place constraints on our business. Surges in demand and shifts in shopping patterns related to COVID-19, as well as other factors, have continued to strain the global supply chain network, which has resulted in carrier-imposed capacity restrictions, carrier delays, and longer lead times. U.S. ports have been unable to keep pace with unprecedented inbound container volume, which has led to shipping and unloading backlogs. The situation has been further exacerbated by COVID-19 protocols at many port locations. Due to the backlog at the ports and other supply chain disruptions, our business is experiencing shortages in materials and products, and significant increases in freight costs. We are relying on expensive air freight to import goods to meet customer demand. We are also seeing the availability of raw materials, components and finished goods impacted by the supply chain challenges which has led to shortages of certain materials and led to pressure on revenue growth. In addition, the closure of certain Asian manufacturing facilities as a result of a lack of COVID-19 vaccines, local government quarantine efforts and electricity shortages have impacted our ability to import products timely. Further, in the U.S., the surge in demand along with COVID-19 related government stimulus and rising hourly labor wages, are creating labor shortages and higher labor costs. We expect these cost trends to continue throughout the first half of 2022.

Concentration of Credit Risk

The Company maintains cash balances at various banks where balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Company maintains cash balances in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Company performs periodic credit evaluations of its customers. The Company maintains allowances for potential credit losses and such losses have historically been within management's expectation. In 2021 and 2020, the Company's top ten customers accounted for 78% and 80% of net sales, respectively. One customer accounted for 62% and 65% of the Company's net sales for the years ended December 31, 2021 and 2020, and the top two customers combined accounted for 64% and 68%, respectively. Three customers accounted for approximately 73% and 74% of trade receivables,

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

net at December 31, 2021 and 2020, respectively. One customer accounted for 62% and 60% of the Company's trade receivables, net at December 31, 2021 and 2020, respectively. The top two customers combined accounted for 68% of trade receivables, net at December 31, 2021 and 2020.

Comprehensive Income

The Company's Rimports unit has operations outside the United States, and the local currency is the functional currency. The financial statements of this foreign unit are translated into U.S. dollars using exchange rates in effect at year-end for assets and liabilities and average exchange rates during the year for results of operations. The resulting translation gain or loss is included in stockholder's equity as other comprehensive income or loss. For all other foreign operations, the Company's functional currency is the U.S. dollar. For the years ended December 31, 2021 and 2020, the transaction gains and losses aggregated to a loss of approximately \$34 thousand and \$239 thousand, respectively. Foreign currency gains and losses are recorded in other expenses in the accompanying consolidated statements of income and comprehensive income.

Fair Value Measurement

The Company uses a framework for measuring fair value of all financial instruments that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods, including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to each valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair value. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The estimated fair values of the Company's short-term financial instruments, including cash, trade receivables and accounts payable arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of the line of credit approximates its carrying amount, as the fair value is estimated based on current rates offered to the Company for similar debt of the same remaining maturities. For liabilities such as long-term debt not accounted for at fair value and without quoted market prices, fair value is based upon estimated cash flows adjusted for credit risk, which are discounted using an interest rate appropriate for the maturity of the applicable loans. As such, the fair value of long-term debt approximates its carrying value.

Foreign Assets

The carrying value of the net assets located outside the United States for the Company was approximately \$24.1 million and \$35.9 million at December 31, 2021 and 2020, respectively. Additionally, net sales from foreign operations approximated \$13.5 million and \$15.6 million for 2021 and 2020, respectively. This accounted for approximately 4% of the total net sales for the years ended December 31, 2021 and 2020.

*Recently Adopted Accounting Pronouncements*

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update No. 2019-12, Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*. This guidance removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of Accounting Standards Codification 740. The guidance was effective for fiscal years and interim periods beginning after December 15, 2020 and early adoption is permitted. The adoption of this guidance on January 1, 2021 did not have a material impact on our consolidated financial statements.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 2 – INVENTORIES

Inventories consisted of the following at December 31, (in thousands):

|                  | 2021             | 2020             |
|------------------|------------------|------------------|
| Raw materials    | \$ 38,472        | \$ 29,678        |
| Work in progress | 210              | 546              |
| Finished goods   | 54,634           | 62,755           |
| Inventories      | <u>\$ 93,316</u> | <u>\$ 92,979</u> |

## NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31, (in thousands):

|                                             | 2021             | 2020             |
|---------------------------------------------|------------------|------------------|
| Buildings, machinery, tooling and equipment | \$ 39,775        | \$ 33,949        |
| Leasehold improvements                      | 933              | 1,068            |
| Office furniture and equipment              | 3,441            | 3,231            |
| Total                                       | 44,149           | 38,248           |
| Accumulated depreciation and amortization   | (27,318)         | (24,357)         |
| Land                                        | 680              | 680              |
| Construction in progress                    | 698              | 5,250            |
| Property and equipment, net                 | <u>\$ 18,209</u> | <u>\$ 19,821</u> |

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2021 and 2020 was approximately \$4.1 million and \$5.0 million, respectively.

## NOTE 4 – GOODWILL AND INTANGIBLE ASSETS, NET

The carrying value of goodwill as of December 31, 2021 and 2020 is \$55.3 million.

At December 31, 2021 and 2020, approximately \$27.9 million and \$31.0, respectively, million of goodwill is deductible for tax purposes.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 4 – GOODWILL AND INTANGIBLE ASSETS, NET - Continued

Intangible assets are comprised of the following at December 31, 2021 and 2020 (in thousands):

|                                                   | 2021             | 2020             | Weighted<br>Average Useful<br>Life |
|---------------------------------------------------|------------------|------------------|------------------------------------|
| Amortizable intangible assets                     |                  |                  |                                    |
| Customer relationships                            | \$145,990        | \$145,990        | 9                                  |
| Tradenames - Sterno Home and Rimports             | 7,800            | 7,800            | 8                                  |
| Developed technology                              | 5,000            | 5,200            | 10                                 |
| Patent                                            | 404              | 313              | 15                                 |
| Accumulated amortization – customer relationships | (81,350)         | (65,807)         |                                    |
| Accumulated amortization – tradenames             | (3,882)          | (2,938)          |                                    |
| Accumulated amortization – developed technology   | (4,680)          | (2,600)          |                                    |
| Accumulated amortization – patent                 | (31)             | (22)             |                                    |
| Total amortizable intangible assets, net          | 69,251           | 87,936           |                                    |
| Tradename, not subject to amortization - Sterno   | 30,810           | 30,810           |                                    |
| Total                                             | <u>\$100,061</u> | <u>\$118,746</u> |                                    |

Amortization expense of intangibles was approximately \$18.8 million and \$17.0 million for the years ended December 31, 2021 and 2020, respectively. Estimated charges to amortization expense of intangible assets over the next five years are as follows (in thousands):

Years ending December 31,

|            |    |               |
|------------|----|---------------|
| 2022       | \$ | 16,527        |
| 2023       |    | 16,440        |
| 2024       |    | 15,102        |
| 2025       |    | 10,426        |
| 2026       |    | 8,929         |
| Thereafter |    | 1,827         |
| Total      | \$ | <u>69,251</u> |



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 5 – RELATED-PARTY DEBT

The Company has outstanding term loans (“Term A Loan” and “Term B Loan”) and revolving line of credit (“Line of Credit”) with Compass Group Diversified Holdings, LLC (“Compass”) for the acquisition of its subsidiaries and to fund its business operations.

The Company pays an unused availability fee quarterly equal to 0.5% of the unused portion of the Line of Credit. At December 31, 2021, \$7.5 million was outstanding under the Line of Credit at an interest rate of 7.5%. At December 31, 2020, \$16.0 million was outstanding under the Line of Credit at an interest rate of 7.3%. As of December 31, 2021 and 2020 the unused portion of the Line of Credit was \$32.4 million and \$23.9 million, respectively.

The Line of Credit and Term A Loan allow for loans at either the base rate or London InterBank Offered Rate (“LIBOR”), as defined. Base rate loans bear interest at a fluctuating rate per annum equal to the greater of (i) the prime rate of interest published by the Wall Street Journal or (ii) the sum of the Federal Funds Rate plus 0.5% for the relevant period, plus the applicable margin below. The base rate at December 31, 2021 for Line of Credit and Term A loan was 3.25%, plus the Applicable Margin of 4.25%.

LIBOR loans bear interest at a fluctuating rate per annum equal to the LIBOR for the relevant period, plus the applicable margin below:

|                                            | Line of Credit and Term A Loan |       |
|--------------------------------------------|--------------------------------|-------|
|                                            | Applicable Margin              |       |
| Total Debt to EBITDA ratio:                | Base Loan                      | LIBOR |
| Less than 2.0:1.00                         | 3.50                           | 4.50  |
| Greater than 2.0:1.0 but less than 3.0:1.0 | 3.75                           | 4.75  |
| Greater than 3.0:1.0 but less than 4.0:1.1 | 4.00                           | 5.00  |
| Greater than 4.0:1.0 but less than 5.0:1.2 | 4.25                           | 5.25  |
| Greater than 5.0:1.0                       | 4.50                           | 5.50  |

The Company also has a \$63 thousand letter of credit from an external bank which is backed by a \$63 thousand letter of credit from Compass. Letters of credit under this separate facility totaling \$63 thousand were outstanding at December 31, 2021 and 2020. The Company is required to pay letter of credit fees equal to 1.75% per annum.

The term loans and Line of Credit with Compass are collateralized by the Company’s right, title and interest in the Company’s net assets. The loan agreements also include certain financial covenants including, but not limited to, requirements to maintain certain fixed charges and leverage ratios. The Company was in compliance with all financial covenants at December 31, 2021 and 2020.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 5 – RELATED-PARTY DEBT - Continued

Long-term debt and the related current portion as of December 31, 2021 and 2020 consist of the following (in thousands):

|                         | 2021              | 2020              |
|-------------------------|-------------------|-------------------|
| Term A Loan             | \$ 130,896        | \$ 146,226        |
| Term B Loan             | 69,213            | 69,213            |
| Debt issuance costs     | (919)             | (1,347)           |
| Total                   | 199,190           | 214,092           |
| Less: current portion   | 9,230             | 9,230             |
| Total long-term portion | <u>\$ 189,960</u> | <u>\$ 204,862</u> |

The Term A Loan requires annual payments of \$9.2 million to be paid in quarterly installments of \$2.3 million.

Schedule of future maturities of long-term debt is as follows at December 31, (in thousands):

|       |                   |
|-------|-------------------|
| 2022  | \$ 9,230          |
| 2023  | 9,230             |
| 2024  | 112,436           |
| 2025  | <u>69,213</u>     |
| Total | <u>\$ 200,109</u> |

As of December 31, 2021 and 2020, debt issuance costs included on the accompanying consolidated balance sheets totaled \$1.1 million and \$1.6 million, respectively. Debt issuance costs consist of loan fees associated with the related party debt. Loan fee amortization expense included in the accompanying consolidated statements of income and comprehensive income was \$451 thousand for the years ended December 31, 2021 and 2020, respectively.

## NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at December 31, (in thousands):

|                                           | 2021             | 2020             |
|-------------------------------------------|------------------|------------------|
| Accounts payable                          | \$ 37,269        | \$ 36,438        |
| Accrued payroll, commissions and benefits | 4,681            | 5,090            |
| Accrued rebates, returns and other        | 7,945            | 5,170            |
| Accrued interest                          | 190              | 450              |
| Income taxes payable and other taxes      | 1,189            | 2,694            |
| Other accrued expenses                    | 1,407            | 791              |
| Total                                     | <u>\$ 52,681</u> | <u>\$ 50,633</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 7 – INCOME TAXES

The provision for income taxes at December 31, 2021 and 2020 are as follows (in thousands):

|                                       | 2021            | 2020            |
|---------------------------------------|-----------------|-----------------|
| Current income tax expense (benefit)  |                 |                 |
| Federal                               | \$ 3,365        | \$ 2,637        |
| State                                 | 1,008           | 992             |
| Foreign                               | (2,186)         | 444             |
| Total current income tax expense      | <u>2,187</u>    | <u>4,073</u>    |
| Deferred income tax expense (benefit) |                 |                 |
| Federal                               | 15              | 158             |
| State                                 | (210)           | (79)            |
| Foreign                               | 617             | (1,809)         |
| Total deferred income tax benefit     | <u>422</u>      | <u>(1,730)</u>  |
| Total income tax expense              | <u>\$ 2,609</u> | <u>\$ 2,343</u> |

At December 31, 2021 and 2020, the Company's federal and state income tax payable totaled \$0.5 million and \$2.0 million, respectively, and was included in accounts payable and accrued expenses on the accompanying consolidated balance sheets.

The tax effects of temporary differences that have resulted in the creation of deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020, are as follows (in thousands):

|                                          | 2021               | 2020              |
|------------------------------------------|--------------------|-------------------|
| Deferred tax assets                      |                    |                   |
| Accrued expenses                         | \$ 72              | \$ 92             |
| Inventory reserve                        | 2,645              | 1,933             |
| Stock options                            | 1,940              | 1,692             |
| Unicap                                   | 230                | 215               |
| Allowance for doubtful accounts          | 22                 | 62                |
| Operating lease right-of-use assets      | 6,550              | 2,602             |
| Deferred tax assets                      | <u>\$ 11,459</u>   | <u>\$ 6,596</u>   |
| Deferred tax liabilities                 |                    |                   |
| Intangible assets                        | \$ (2,900)         | \$ (2,419)        |
| Depreciation                             | (3,054)            | (2,235)           |
| Prepaid expenses                         | (374)              | (284)             |
| Operating lease right-of-use liabilities | (6,451)            | (2,520)           |
| Other                                    | -                  | (37)              |
| Deferred tax liabilities                 | <u>\$ (12,779)</u> | <u>\$ (7,495)</u> |
| Total net deferred tax liabilities       | <u>\$ (1,320)</u>  | <u>\$ (899)</u>   |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 7 – INCOME TAXES – Continued

At December 31, 2021 and 2020, the Company had no material federal or state net operating loss carryforwards. The Company has foreign net operating loss carryforward which was fully provided with a valuation allowance.

The Company applies a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit or obligation as the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments. As of December 31, 2021, the Company continued to have no material unrecognized tax benefits in its consolidated financial statements and, therefore, did not record a liability for unrecognized tax benefits.

Interest and penalties related to unrecognized tax benefits will be recognized in income tax expense. As of December 31, 2021 and 2020, no interest or penalties were included in income tax expense.

The Company is subject to U.S. federal, state, local, and foreign income tax, and in the normal course of business, its income tax returns are subject to examination by the relevant taxing authorities. In December 2020, the Company was notified of a pending audit of its 2017 and 2018 California Franchise Tax Returns. In November 2021, the examination was closed which resulted in no change to the Company's tax liability. The Company is unaware of any additional ongoing or pending income tax audits.

## NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

The Company and its subsidiaries lease manufacturing facilities, warehouses, office facilities, equipment and vehicles under various operating agreements. Certain of the leases are subject to escalation clauses and renewal periods. The Company and its subsidiaries recognize lease expense, including predetermined fixed escalations, on a straight-line basis over the initial term of the lease including reasonably certain renewal periods from the time that the Company and its subsidiaries control the leased property. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets. Lease expense for these leases is recognized over the lease term on a straight-line basis.

Rent expense for the years ended December 31, 2021 and 2020 totaled \$7.0 million and \$5.7 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 8 – COMMITMENTS AND CONTINGENCIES – Continued

The maturities of lease liabilities at December 31, 2021 were as follows (in thousands):

|                                    |    |        |
|------------------------------------|----|--------|
| 2022                               | \$ | 6,816  |
| 2023                               |    | 5,833  |
| 2024                               |    | 4,601  |
| 2025                               |    | 4,578  |
| 2026                               |    | 4,563  |
| Thereafter                         |    | 8,045  |
| Total undiscounted lease payments  |    | 34,436 |
| Less: Interest                     |    | 6,269  |
| Present value of lease liabilities | \$ | 28,167 |

The calculated amount of the right-of-use assets and liabilities in the table above are impacted by the length of the lease term and discount rate used to calculate the present value of the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. Regarding the discount rate, Topic 842 requires the use of a rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes the incremental borrowing rate of the subsidiary entering into the lease arrangement, on a collateralized basis, over a similar term as adjusted for any country-specific risk.

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of December 31, 2021 and 2020:

|                                       | 2021       | 2020       |
|---------------------------------------|------------|------------|
| Weighted-average remaining lease term | 5.79 years | 2.76 years |
| Weighted-average discount rate        | 6.83%      | 6.76%      |

Supplemental cash flow information related to leases were as follows as of December 31, 2021 and 2020 (in thousands):

|                                                                         | 2021     | 2020    |
|-------------------------------------------------------------------------|----------|---------|
| Cash paid for amounts included in the measurement of lease liabilities: |          |         |
| Operating cash flows from operating leases                              | \$6,585  | \$5,182 |
| Right of use assets obtained in exchange for lease obligations:         |          |         |
| Operating leases                                                        | \$22,173 | \$794   |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 8 – COMMITMENTS AND CONTINGENCIES – Continued

Litigation

The Company is subject to certain outside claims and litigation arising in the ordinary course of business. In the opinion of the Company's management, the outcome of such matters will not have a significant adverse effect on the financial position or results of operations of the Company.

## NOTE 9 – RELATED-PARTY TRANSACTIONS

Compass Group Management LLC ("CGM") provides management services to the Company. The Company pays CGM a quarterly management fee. The management fee expense for the years ended December 31, 2021 and 2020 totaled approximately \$500 thousand for each year, which is reflected in selling, general and administrative expenses in the consolidated statements of income and comprehensive income.

## NOTE 10 – RETIREMENT PLAN

The Company offers a 401(k) savings plan to all employees meeting minimum age and service requirements. Each employee is able to defer the maximum annual amount allowed by the Internal Revenue Service. The Company may contribute up to 5% of each employee's salary based on the amount of salary deferred by the employee. During the years ended December 31, 2021 and 2020, the Company made matching contributions to the plan totaling \$216 thousand and \$155 thousand, respectively.

## NOTE 11 – STOCK-BASED COMPENSATION

The Company's 2014 Stock Option Plan (the "Plan") provides for non-qualified stock options to purchase shares of the Company's common stock, which may be granted to employees. The Plan is administered by the Board of the Company or, if established by the Board, the Compensation Committee of the Board, which has the authority to determine the type of incentive award, as well as the terms and conditions of the awards, under the Plan. Shares under the Plan are available for grant from authorized, but unissued shares of the Company. Any granted shares that are released from an option for any reason become available for other options to be granted under the Plan.

Under the plan, 160,000 shares of common stock were available for grant. At December 31, 2021, there were 12,000 remaining options available for grant under the Plan and 148,000 options outstanding. Options generally vest at 20% per year and are fully vested at the end of the fifth year. Options continue in force and are exercisable through the tenth anniversary of the grant date, unless terminated sooner.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted. The expected life represents the period the Company's equity-based awards are expected to be outstanding. The Company uses the simplified method for estimating expected life. The simplified method does not require the use of historical or post-vesting exercise data. Estimated volatilities are based on an analysis of

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 11 – STOCK-BASED COMPENSATION - Continued

comparable companies and the Company's leverage. The Company bases the risk-free interest rate on the implied yield currently available on U.S. Treasury strips maturing at the expected option term. The Company has never paid dividends and does not anticipate doing so over the expected life of the options and therefore used 0% for dividend yield.

The estimated values of stock option grants, as well as the weighted-average assumptions used in calculating these values for the years ended December 31, 2021 and 2020 were based on estimates at the date of grant as follows:

|                         | 2021  | 2020  |
|-------------------------|-------|-------|
| Expected term in years  | 7.5   | 7.5   |
| Expected volatility     | 31.4% | 35.0% |
| Risk free interest rate | 1.00% | 1.01% |
| Dividend yield          | 0.00% | 0.00% |

As of December 31, 2021, there was approximately \$2.4 million of total unrecognized stock-based compensation expense under the Plan that will be recognized over a period of approximately 4.01 years. The Company recorded pre-tax compensation expense of \$1.2 million for the years ended December 31, 2021 and 2020. Stock compensation expense is included in selling, general and administrative expenses in the accompanying consolidated statements of income and comprehensive income.

A summary of the Company's stock option activity and related information for the Plan was as follows:

|                                  | Number of<br>Shares | Weighted<br>Average<br>Exercise Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life |
|----------------------------------|---------------------|---------------------------------------|---------------------------------------------------------|
| Outstanding at December 31, 2020 | 130,000             | \$ 133.98                             |                                                         |
| Granted                          | 30,500              | 191.89                                |                                                         |
| Cancelled                        | (12,500)            | 303.22                                |                                                         |
| Outstanding at December 31, 2021 | 148,000             | \$ 131.62                             | 6.2 years                                               |
| Exercisable at December 31, 2021 | 89,500              | \$ 41.60                              | 5.1 years                                               |



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

## NOTE 11 – STOCK-BASED COMPENSATION - Continued

The aggregate intrinsic value of shares outstanding and shares exercisable at December 31, 2021 was \$7.5 million. The weighted average grant-date fair value of options granted during the years ended December 31, 2021 and 2020 was \$62.95 and \$118.86, respectively. Total fair value of shares vested during the years ended December 31, 2021 and 2020 was \$1.3 million and \$1.5 million, respectively. No options were exercised in 2021 and 2020.

## NOTE 12 – SUBSEQUENT EVENTS

On February 28, 2022, the Company's Board of Directors signed and approved an asset transfer agreement between Sterno Home and Rimports, effective January 3, 2022. The agreement involves the transfer of Sterno Home's net assets to Rimports to position Sterno Home's product lines for long-term profitability and growth. The transfer was accounted for as a common control transaction, so there is no change in the basis in the net assets transferred. The transaction does not impact the Company's consolidated financial statements.

The Company has evaluated all subsequent events through March 4, 2022, the date the financial statements were available to be issued.

Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**SternoCandleLamp Holdings, Inc. and  
Subsidiaries**

As of and for the years ended December 31, 2022 and 2021

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
SternoCandleLamp Holdings, Inc

**Opinion**

We have audited the consolidated financial statements of SternoCandleLamp Holdings, Inc., (a California corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income (loss) and comprehensive income (loss), stockholder's equity, 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 the Company as of December 31, 2022 and 2021, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 the Company 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 the Company's ability to continue as a going concern for one year after the date the financial statements are issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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 US 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 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 the Company'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 the Company'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.

*Grant Thornton LLP*

Newport Beach, California  
March 7, 2023

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

December 31

(in thousands, except share data)

| ASSETS                                                                                                                                                                                                                       |                   |                   |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|--|
|                                                                                                                                                                                                                              | 2022              | 2021              |  |
| Current assets                                                                                                                                                                                                               |                   |                   |  |
| Cash and cash equivalents                                                                                                                                                                                                    | \$ 2,371          | \$ 1,329          |  |
| Trade receivables, net of allowances                                                                                                                                                                                         | 53,211            | 67,165            |  |
| Inventories                                                                                                                                                                                                                  | 78,936            | 93,316            |  |
| Prepaid expenses and other current assets                                                                                                                                                                                    | 1,853             | 2,182             |  |
| Total current assets                                                                                                                                                                                                         | 136,371           | 163,992           |  |
| Property and equipment, net                                                                                                                                                                                                  | 19,067            | 18,209            |  |
| Deferred tax asset                                                                                                                                                                                                           | 2,431             | -                 |  |
| Intangible assets, net                                                                                                                                                                                                       | 83,405            | 100,061           |  |
| Goodwill                                                                                                                                                                                                                     | 55,336            | 55,336            |  |
| Operating lease right-of-use assets, net                                                                                                                                                                                     | 23,726            | 27,449            |  |
| Other assets                                                                                                                                                                                                                 | 742               | 685               |  |
| Total assets                                                                                                                                                                                                                 | <u>\$ 321,078</u> | <u>\$ 365,732</u> |  |
| LIABILITIES AND STOCKHOLDER'S EQUITY                                                                                                                                                                                         |                   |                   |  |
| Current liabilities                                                                                                                                                                                                          |                   |                   |  |
| Current portion, long-term debt - related party                                                                                                                                                                              | \$ 9,230          | \$ 9,230          |  |
| Line of credit - related party                                                                                                                                                                                               | -                 | 7,500             |  |
| Accounts payable                                                                                                                                                                                                             | 34,109            | 37,269            |  |
| Accrued and other expenses                                                                                                                                                                                                   | 13,175            | 15,412            |  |
| Operating lease liabilities, short term                                                                                                                                                                                      | 5,383             | 5,089             |  |
| Total current liabilities                                                                                                                                                                                                    | 61,897            | 74,500            |  |
| Deferred tax liability                                                                                                                                                                                                       | -                 | 1,320             |  |
| Long-term debt, net of current portion - related party                                                                                                                                                                       | 159,230           | 189,960           |  |
| Operating lease liabilities, long-term                                                                                                                                                                                       | 19,433            | 23,078            |  |
| Total liabilities                                                                                                                                                                                                            | 240,560           | 288,858           |  |
| Commitments and contingencies (refer to Note 9)                                                                                                                                                                              |                   |                   |  |
| Stockholder's equity                                                                                                                                                                                                         |                   |                   |  |
| Common stock - \$0.001 par value, 1,500,000 shares authorized, 1,040,191 shares issued and 1,006,538 shares outstanding at December 31, 2022; 1,033,653 shares issued and 1,000,000 shares outstanding at December 31, 2021. | 1                 | 1                 |  |
| Additional paid-in capital                                                                                                                                                                                                   | 75,316            | 82,533            |  |
| Treasury stock at cost (35,514 shares in 2022 and 33,653 shares in 2021)                                                                                                                                                     | (6,358)           | (6,013)           |  |
| Accumulated other comprehensive (loss) income                                                                                                                                                                                | (190)             | 71                |  |
| Accumulated earnings                                                                                                                                                                                                         | 11,749            | 282               |  |
| Total stockholder's equity                                                                                                                                                                                                   | 80,518            | 76,874            |  |
| Total liabilities and stockholder's equity                                                                                                                                                                                   | <u>\$ 321,078</u> | <u>\$ 365,732</u> |  |

See notes to consolidated financial statements.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2022 and 2021

(in thousands)

|                                              | 2022            | 2021            |
|----------------------------------------------|-----------------|-----------------|
| Net sales                                    | \$ 352,152      | \$ 375,127      |
| Cost of goods sold                           | <u>284,725</u>  | <u>303,117</u>  |
| Gross profit                                 | 67,427          | 72,010          |
| Selling, general and administrative expenses | <u>47,626</u>   | <u>51,981</u>   |
| Operating income                             | 19,801          | 20,029          |
| Related party interest expense               | 18,153          | 18,322          |
| Amortization of debt issuance costs          | 451             | 451             |
| Loss on disposal of assets                   | 30              | 152             |
| Other income, net                            | <u>(1,759)</u>  | <u>(1,189)</u>  |
| Income before income taxes                   | 2,926           | 2,293           |
| (Benefit) provision for income taxes         | <u>(480)</u>    | <u>2,609</u>    |
| Net income (loss)                            | \$ 3,406        | \$ (316)        |
| Foreign currency translation (loss) gain     | <u>(261)</u>    | <u>69</u>       |
| Comprehensive income (loss)                  | <u>\$ 3,145</u> | <u>\$ (247)</u> |

See notes to consolidated financial statements.



## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

For the years ended December 31, 2022 and 2021

(in thousands, except share data)

|                                   | <u>Common Stock</u>  |               |                                        |                       | Accumulated<br>Other<br>Comprehensive<br>Income (loss) | Accumulated<br>Earnings | Total<br>Stockholder's<br>Equity |
|-----------------------------------|----------------------|---------------|----------------------------------------|-----------------------|--------------------------------------------------------|-------------------------|----------------------------------|
|                                   | <u>Shares Issued</u> | <u>Amount</u> | <u>Additional Paid-<br/>In Capital</u> | <u>Treasury Stock</u> |                                                        |                         |                                  |
| Balance, January 1, 2021          | 1,033,653            | \$ 1          | \$ 81,291                              | \$ (6,013)            | \$ 2                                                   | \$ 598                  | \$ 75,879                        |
| Stock compensation expense        | -                    | -             | 1,242                                  | -                     | -                                                      | -                       | 1,242                            |
| Net loss                          | -                    | -             | -                                      | -                     | -                                                      | (316)                   | (316)                            |
| Foreign currency translation gain | -                    | -             | -                                      | -                     | 69                                                     | -                       | 69                               |
| Balance, December 31, 2021        | <u>1,033,653</u>     | <u>\$ 1</u>   | <u>\$ 82,533</u>                       | <u>\$ (6,013)</u>     | <u>\$ 71</u>                                           | <u>\$ 282</u>           | <u>\$ 76,874</u>                 |
| Stock compensation expense        | -                    | -             | 844                                    | -                     | -                                                      | -                       | 844                              |
| Net income                        | -                    | -             | -                                      | -                     | -                                                      | 3,406                   | 3,406                            |
| Exercise of options               | 6,538                | -             | -                                      | -                     | -                                                      | -                       | -                                |
| Stock repurchase (1,861 shares)   | -                    | -             | -                                      | (345)                 | -                                                      | -                       | (345)                            |
| Foreign currency translation loss | -                    | -             | -                                      | -                     | (261)                                                  | -                       | (261)                            |
| Common control net asset transfer | -                    | -             | (8,061)                                | -                     | -                                                      | 8,061                   | -                                |
| Balance, December 31, 2022        | <u>1,040,191</u>     | <u>\$ 1</u>   | <u>\$ 75,316</u>                       | <u>\$ (6,358)</u>     | <u>\$ (190)</u>                                        | <u>\$ 11,749</u>        | <u>\$ 80,518</u>                 |

See notes to consolidated financial statements.

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

(in thousands)

|                                                                                          | 2022      | 2021      |
|------------------------------------------------------------------------------------------|-----------|-----------|
| Cash flows from operating activities:                                                    |           |           |
| Net income (loss)                                                                        | \$ 3,406  | \$ (316)  |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |           |           |
| Depreciation expense                                                                     | 3,311     | 4,141     |
| Amortization expense                                                                     | 16,531    | 18,777    |
| Amortization of debt issuance costs                                                      | 451       | 451       |
| Stock-based compensation expense                                                         | 844       | 1,242     |
| Deferred taxes                                                                           | (3,751)   | 422       |
| Provision for inventory reserve                                                          | 1,530     | 5,518     |
| Provision for doubtful accounts                                                          | (3,826)   | (484)     |
| Loss on disposal of assets                                                               | 184       | 152       |
| Changes in operating assets and liabilities:                                             |           |           |
| Trade receivables                                                                        | 17,780    | (1,713)   |
| Prepaid expenses and other current assets                                                | 250       | 47        |
| Inventories                                                                              | 12,852    | (5,855)   |
| Accounts payable                                                                         | (5,798)   | 1,611     |
| Accrued and other expenses                                                               | 402       | 437       |
| Operating lease asset, net                                                               | 371       | 74        |
| Net cash provided by operating activities                                                | 44,537    | 24,504    |
| Cash flows from investing activities:                                                    |           |           |
| Purchases of property and equipment                                                      | (4,200)   | (2,680)   |
| Registration of patents                                                                  | (30)      | (92)      |
| Net cash used in investing activities                                                    | (4,230)   | (2,772)   |
| Cash flows from financing activities:                                                    |           |           |
| Borrowings on loans and line of credit, net loan origination fees                        | 36,929    | 33,500    |
| Payments on loans and line of credit                                                     | (75,588)  | (57,330)  |
| Stock repurchase                                                                         | (345)     | -         |
| Net cash used in financing activities                                                    | (39,004)  | (23,830)  |
| Foreign currency impact on cash                                                          | (261)     | 69        |
| Net increase (decrease) in cash and cash equivalents                                     | 1,042     | (2,029)   |
| Cash and cash equivalents beginning of period                                            | 1,329     | 3,358     |
| Cash and cash equivalents end of period                                                  | \$ 2,371  | \$ 1,329  |
| Supplemental disclosures of cash flow information                                        |           |           |
| Cash paid during the year for:                                                           |           |           |
| Interest expense - related party                                                         | \$ 18,230 | \$ 18,582 |
| Income taxes - net of refunds received                                                   | \$ 1,446  | \$ 4,552  |

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

SternoCandleLamp Holdings, Inc. (the “Company”), headquartered in Corona, California, is the ultimate parent company of Sterno, LLC (“Sterno”) and Rimports, LLC (“Rimports”). The Company operates via two product divisions:

- Sterno – Sterno offers a broad range of wick and gel chafing fuels, liquid and traditional wax candles, butane stoves and accessories, and catering equipment and lamps for restaurants, hotel and home entertainment uses, selling both Sterno Brand and private label.
- Rimports - Rimports is a manufacturer and distributor of branded and private label wickless candle products used for home decor and fragrance systems under the ScentSationals, Better Home & Garden, AmbiEscent, Oak & Rye, Estate and Ador brands. Rimports offers unique lines of wickless candle products including ceramic wax warmers, scented wax cubes, fragrance oils, essential oils, and diffusers. Rimports also sells flameless candles, lanterns, and outdoor lighting. The Company acquired Rimports in February 2018. During the first quarter of 2022, Sterno completed the product lines integration of Sterno Home Inc. (“Sterno Home”) with Rimports to leverage the capabilities of Rimports’ operations for profitability and growth. Previously, Sterno Home was a separate product division of the Company whose product offerings include flameless candles, traditional house and garden lighting including path lights, spotlights, and security lights.

The Company operates out of its corporate headquarters in Corona, California; two manufacturing facilities in Texarkana, Texas and Memphis, Tennessee; and the Rimports facility in Provo, Utah.

Significant Accounting Policies

The Company’s significant accounting policies are as follows:

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (Sterno and Rimports) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant intercompany transactions and accounts have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions made by management are used for, but not limited to, the fair

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

value of identifiable intangible assets, the recoverability of the carrying value of long-lived and intangible assets and goodwill, the realization of trade receivables, the accrual for rebates, write-downs for slow-moving or obsolete inventory, and the establishment of a valuation allowance on deferred income taxes. Actual results could differ from these estimates.

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities.

Performance Obligations - Revenues are recognized when control of the promised goods is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. Each product represents a separate performance obligation. The Company determines standalone selling prices based on the price at which the performance obligation is sold separately. The standalone selling price is directly observable as it is the price at which the Company sells its products separately to the customer. As the Company does not meet any of the requirements for over time recognition for any of its products, it recognizes revenue based on the point in time criteria based on the definition of control, which is generally upon shipment terms for products.

Shipping and Handling Costs - Costs associated with shipment of products to a customer are accounted for as a fulfillment cost and are included in cost of goods sold. The Company accounts for shipping and handling activities performed after control of a good has been transferred to the customer as a fulfillment cost and not a performance obligation. Therefore, both revenue and costs of shipping and handling are recorded at the same time.

Warranty - For product sales, the Company provides standard assurance-type warranties as the Company only warrants its products against defects in materials and workmanship (i.e., manufacturing flaws). Although the warranties are not required by law, the tasks performed over the warranty period are only to remediate instances when products do not meet the promised specifications. Customers do not have the option to purchase warranties separately. The Company's warranty periods generally range from 90 days to one year depending on the nature of the product and are consistent with industry standards. The periods are reasonable to assure that products conform to specifications. The Company does not have a history of performing activities outside the scope of the standard warranty.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Variable Consideration - The Company's policy around estimating variable consideration related to sales incentives (early pay discounts, rights of return, rebates, chargebacks, and other discounts) included in certain customer contracts are recorded as a reduction in the transaction price. The Company applies the expected value method to estimate variable consideration. These estimates are based on historical experience, anticipated performance and the Company's best judgment at the time and as a result, reflect applicable constraints. The Company includes in the transaction price an amount of variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue from product sales is presented net of rebates, returns and other allowances. The Company recorded approximately \$35.9 million and \$32.7 million for rebates and incentive allowances against revenue during the years ended December 31, 2022 and 2021, respectively. The accrual for rebates and incentive allowances is based on terms of contractual arrangements and historical experience and is recorded in accrued expenses in the Company's consolidated balance sheets.

Sales and Other Similar Taxes - The Company notes that under its contracts with customers, the customer is responsible for all sales and other similar taxes, which the Company will invoice the customer for if they are applicable. The Company excludes sales taxes and similar taxes from the measurement of transaction price.

Cost to Obtain a Contract – The Company recognized the incremental costs of obtaining a contract as an expense when incurred as the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Disaggregated Revenue - Revenue Streams and Timing of Revenue Recognition - The Company disaggregates revenue by strategic business unit and by product for each strategic business unit which are categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. This disaggregation also represents how the Company evaluates its financial performance, as well as how the Company communicates its financial performance to the other users of its financial statements. Each strategic business unit represents the Company's different products.

The following table sets forth the Company's net sales by product for the years ended December 31, 2022 and 2021 (in thousands):

|                                                        | 2022              | 2021              |
|--------------------------------------------------------|-------------------|-------------------|
| Canned heat and table lighting                         | \$ 152,981        | \$ 101,000        |
| Flameless and outdoor lighting                         | 22,186            | 45,757            |
| Wickless candle products, diffusers and essential oils | 176,985           | 228,370           |
|                                                        | <u>\$ 352,152</u> | <u>\$ 375,127</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents in bank deposit accounts. The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2022 and 2021, the Company had issued \$0 and \$285 thousand of checks in excess of funds available, respectively, recorded under accounts payable and accrued expenses in the consolidated balance sheets.

Trade Receivables

Credit is extended in the form of trade receivables based on an evaluation of each customer's financial condition, and collateral is not required. Trade receivables are carried at original invoice amount less estimates made for doubtful receivables, customer chargebacks, markdowns and returns. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. No interest is charged on customer accounts. The Company's Rimports unit maintains an allowance for customer chargebacks for items such as markdowns and defective units based on historical experience and management's knowledge of its customers' receiving and payment practices. As of December 31, 2022 and 2021, the allowance for chargebacks was \$1.1 million and \$4.9 million, respectively. As of December 31, 2022 and 2021, the allowance for doubtful accounts was \$61 thousand and \$144 thousand, respectively.

Inventories

Inventories are stated at the lower of cost (determined on a weighted-average method) or net realizable value. Inventory consists of raw materials, work in progress, shipping supplies and finished goods. The Company reserves for slow-moving and obsolete inventory when management determines an item should be reserved based on historical movement.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The cost of major additions or betterments is capitalized, while maintenance and repairs that do not improve or extend the useful lives of the related assets are expensed as incurred. Leasehold improvements are amortized over the shorter of the term of the lease or their estimated useful lives.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Depreciation is recorded using the straight-line method over the following estimated useful lives of the related assets:

|                                  | <u>Years</u> |
|----------------------------------|--------------|
| Buildings                        | 25           |
| Machinery, tooling and equipment | 2-15         |
| Office furniture and equipment   | 3-7          |

Long-Lived Assets

Long-lived assets, which include property, plant and equipment and amortizable intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that an asset may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets are written down to the estimated fair value, and such loss is recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets was identified in the years ended December 31, 2022 and 2021.

Amortization of Intangible Assets

Intangible assets subject to amortization are amortized on the straight-line method over their estimated useful lives. Changes in circumstance, such as a significant decline in the Company's viability, could result in the actual useful lives differing from initial estimates. In those cases where the Company determines that the useful life of a long-lived asset should be revised, the Company will amortize the net book value over its revised remaining useful life.

The Company believes that the "Sterno" trade name is an indefinite life intangible asset. An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economic, or any other factors that may limit the period over which the asset is expected to contribute directly or indirectly to future cash flows. The evaluation of impairment for indefinite life intangible assets is performed by a comparison of the asset's carrying value to the asset's fair value. When the carrying value exceeds fair value, an impairment charge is recorded for the amount of the difference. Management determined that no impairment of its trade name had occurred in the years ended December 31, 2022 and 2021.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Goodwill

The Company evaluates goodwill for impairment on an annual basis or whenever events or circumstances have indicated that the carrying amount of a reporting unit may be impaired. The Company has determined that it has one reporting unit, which is subject to impairment testing. The Company assesses qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount using a qualitative approach, then an additional analysis is performed using the reporting unit's discounted cash flows to further determine whether the fair value is less than the reporting unit's carrying value. If the excess of the fair value of the reporting unit over the fair value of the identifiable assets and liabilities is less than the carrying value of the unit's goodwill, an impairment charge is recorded for the difference. There was no impairment of goodwill in the years ended December 31, 2022 and 2021.

Debt Issuance Costs

Debt issuance costs are amortized over the life of the respective loans using the effective interest method as it related to term debt and the straight-line method related to the revolving credit agreement. Issuance costs related to debt are presented in the consolidated balance sheets as a direct deduction from the carrying amount of the associated debt liability. Issuance costs related to a revolving credit facility are included in prepaid expenses and other current assets in the consolidated balance sheets.

For the years ended December 31, 2022 and 2021, amortization of debt issuance costs was \$451 thousand. See Note 5 Related Party Debt.

Income Taxes

The Company accounts for income taxes under the asset and liability method under which it recognizes deferred income taxes, net of valuation allowances, if any, for the estimated future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and its tax bases and net operating loss and tax credit carryforwards. The Company may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Company has such an assessment from a taxing authority, it is its accounting policy to recognize any interest and penalties as a component of income tax.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

On August 16, 2022, the President of the United States signed into law the Inflation Reduction Act (H.R. 5376), which contained various tax law changes, including the imposition of an Alternative Minimum Tax (AMT) on “large” corporations, a tax on certain stock buybacks, and other targeted revenue raisers. As of our current analysis, we do not expect this law to have any material effect on the Company.

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which included a range of tax relief provisions for corporations, individuals and other taxing entities.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the “2017 Act”). In connection with the 2017 Act, the Company was subject to the transition tax on unrepatriated foreign earnings, pursuant to Section 965. The Company’s total resulting tax under Section 965 was \$321 thousand. The Company elected to pay the tax in installments. As of December 31, 2022, a balance of \$145 thousand is to be paid via installments through 2024.

The 2017 Act, as discussed above, created a new limitation on the deduction of corporate interest under Section 163(j). In simple terms, interest expense for any given year is limited to 30% of “tax EBITDA”. Any disallowed amount was carried forward indefinitely to future periods and is subject to that year’s limitation. The calculation changed for 2022 in that taxable income for 163(j) purposes no longer benefits from an addback of tax depreciation or amortization. As a result, our estimated disallowed portion of interest for 2022 is approximately \$7.5 million.

The 2017 Act also changed the treatment of Section 174 research and experimental costs beginning January 1, 2022. Historically, taxpayers had the option of expensing Section 174 costs currently or amortizing over five years. The provision now requires taxpayers to capitalize such costs and amortize over five years for research conducted domestically or fifteen years if conducted outside of the U.S. We expect this new Section 174 rule to have little to no effect on the Company currently.

Advertising

Advertising costs are expensed as incurred and is included in selling, general and administrative expense in the consolidated statements of income and comprehensive income. For the years ended December 31, 2022 and 2021, advertising expense was approximately \$1.8 million and \$1.1 million, respectively.

Accounting for Stock-Based Compensation

Stock-based compensation cost for stock options is calculated on the date of grant using the estimated fair value of the option as determined using the Black-Scholes option pricing model. The compensation cost is then amortized ratably over the vesting period of the individual option grants. The Black-Scholes valuation calculation requires the Company to estimate key assumptions including the expected term, volatility and interest rates to determine the fair value of the stock options. The estimate of these key assumptions is

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

based on an analysis of comparable companies, the Company's leverage and judgment regarding market factors and trends. Authoritative guidance also requires that forfeitures be estimated at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

COVID-19 Update

While we expect the effect of COVID-19 on our businesses to moderate, there is still uncertainty around the continued spread of COVID-19 and new variants of the virus around the world. The economic and health conditions in the United States and across most of the globe have continued to change since the beginning of the pandemic and the ultimate impact of COVID-19 on our business is dependent on future developments, including its effect on labor or other macroeconomic factors, its severity and duration, the continued availability and effectiveness of vaccines and actions taken by third parties or by government authorities in response, including restrictions, laws or regulations, or other responses.

Concentration of Credit Risk

The Company maintains cash balances at various banks where balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Company maintains cash balances in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Company performs periodic credit evaluations of its customers. The Company maintains allowances for potential credit losses and such losses have historically been within management's expectation. In 2022 and 2021, the Company's top ten customers accounted for 78% of net sales. One customer accounted for 55% and 62% of the Company's net sales for the years ended December 31, 2022 and 2021, and the top two customers combined accounted for 60% and 64% of net sales for the years ended December 31, 2022 and 2021, respectively. Three customers accounted for approximately 62% and 73% of trade receivables, net as of December 31, 2022 and 2021, respectively. One customer accounted for 47% and 62% of the Company's trade receivables, net as of December 31, 2022 and 2021, respectively. The top two customers combined accounted for 56% and 68% of trade receivables, net as of December 31, 2022 and 2021, respectively.

Comprehensive Income

The Company's Rimports unit has operations outside the United States, and the local currency is the functional currency. The financial statements of this foreign unit are translated into U.S. dollars using exchange rates in effect at year-end for assets and liabilities and average exchange rates during the year for results of operations. The resulting translation gain or loss is included in stockholder's equity as other comprehensive income or loss. For all other foreign operations, the Company's functional currency is the U.S. dollar. For the years ended December 31, 2022 and 2021, the transaction gains and losses aggregated to a loss of approximately \$77 thousand and \$34 thousand, respectively. Foreign currency gains and losses are

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

recorded in other expenses in the accompanying consolidated statements of income and comprehensive income.

Fair Value Measurement

The Company uses a framework for measuring fair value of all financial instruments that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods, including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to each valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair value. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from quoted prices in active markets that are accessible at the measurement date.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The estimated fair values of the Company's short-term financial instruments, including cash, trade receivables and accounts payable arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of the line of credit approximates its carrying amount, as the fair value is estimated based on current rates offered to the Company for similar debt of the same remaining maturities. For liabilities such as long-term debt not accounted for at fair value and without quoted market prices, fair value is based upon estimated cash flows adjusted for credit risk, which are discounted using an interest rate appropriate for the maturity of the applicable loans. As such, the fair value of long-term debt approximates its carrying value.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Foreign Assets

The carrying value of the net assets located outside the United States for the Company was approximately \$2.5 million and \$24.1 million as of December 31, 2022 and 2021, respectively. Additionally, net sales from foreign operations approximated \$11.6 million and \$13.5 million for 2022 and 2021, respectively. This accounted for approximately 3% and 4% of the total net sales for the years ended December 31, 2022 and 2021, respectively.

## NOTE 2 – INVENTORIES

Inventories consisted of the following as of December 31, (in thousands):

|                  | 2022             | 2021             |
|------------------|------------------|------------------|
| Raw materials    | \$ 25,692        | \$ 38,472        |
| Work in progress | 467              | 210              |
| Finished goods   | 52,777           | 54,634           |
| Inventories      | <u>\$ 78,936</u> | <u>\$ 93,316</u> |

## NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of December 31, (in thousands):

|                                             | 2022             | 2021             |
|---------------------------------------------|------------------|------------------|
| Buildings, machinery, tooling and equipment | \$ 42,615        | \$ 39,775        |
| Leasehold improvements                      | 1,057            | 933              |
| Office furniture and equipment              | 2,523            | 3,441            |
| Total                                       | 46,195           | 44,149           |
| Accumulated depreciation and amortization   | (28,848)         | (27,318)         |
| Land                                        | 680              | 680              |
| Construction in progress                    | 1,040            | 698              |
| Property and equipment, net                 | <u>\$ 19,067</u> | <u>\$ 18,209</u> |

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2022 and 2021 was approximately \$3.3 million and \$4.1 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 4 – GOODWILL AND INTANGIBLE ASSETS, NET

The carrying value of goodwill as of December 31, 2022 and 2021 is \$55.3 million.

As of December 31, 2022 and 2021, approximately \$24.7 million and \$27.9 million of goodwill is deductible for tax purposes.

Intangible assets are comprised of the following as of December 31, 2022 and 2021 (in thousands):

|                                                   | 2022             | 2021              | Weighted<br>Average Useful<br>Life |
|---------------------------------------------------|------------------|-------------------|------------------------------------|
| Amortizable intangible assets                     |                  |                   |                                    |
| Customer relationships                            | \$ 145,990       | \$ 145,990        | 9                                  |
| Tradenames - Rimports                             | 7,800            | 7,800             | 8                                  |
| Developed technology                              | 5,025            | 5,000             | 10                                 |
| Patent                                            | 255              | 404               | 15                                 |
| Accumulated amortization – customer relationships | (96,850)         | (81,350)          |                                    |
| Accumulated amortization – tradenames             | (4,828)          | (3,882)           |                                    |
| Accumulated amortization – developed technology   | (4,760)          | (4,680)           |                                    |
| Accumulated amortization – patent                 | (37)             | (31)              |                                    |
| Total amortizable intangible assets, net          | 52,595           | 69,251            |                                    |
| Tradename, not subject to amortization - Sterno   | 30,810           | 30,810            |                                    |
| Total                                             | <u>\$ 83,405</u> | <u>\$ 100,061</u> |                                    |

Amortization expense of intangibles was approximately \$16.5 million and \$18.8 million for the years ended December 31, 2022 and 2021, respectively. Estimated charges to amortization expense of intangible assets over the next five years are as follows (in thousands):

Years ending December 31,

|            |           |               |
|------------|-----------|---------------|
| 2023       | \$        | 16,449        |
| 2024       |           | 15,111        |
| 2025       |           | 10,435        |
| 2026       |           | 8,937         |
| 2027       |           | 1,476         |
| Thereafter |           | 187           |
| Total      | <u>\$</u> | <u>52,595</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 5 – RELATED-PARTY DEBT

The Company has outstanding term loans (“Term A Loan” and “Term B Loan”) and revolving line of credit (“Line of Credit”) with Compass Group Diversified Holdings, LLC (“Compass”) for the acquisition of its subsidiaries and to fund its business operations.

The Company pays an unused availability fee quarterly equal to 0.5% of the unused portion of the Line of Credit. There was no outstanding Line of Credit as of December 31, 2022. As of December 31, 2021, \$7.5 million was outstanding under the Line of Credit at an interest rate of 7.5%. As of December 31, 2022 and 2021 the unused portion of the Line of Credit was \$39.9 million and \$32.4 million, respectively.

The Line of Credit and Term A Loan allow for loans at either the base rate or London InterBank Offered Rate (“LIBOR”), as defined. Base rate loans bear interest at a fluctuating rate per annum equal to the greater of (i) the prime rate of interest published by the Wall Street Journal or (ii) the sum of the Federal Funds Rate plus 0.5% for the relevant period, plus the applicable margin below. The base rate as of December 31, 2022 for Line of Credit and Term A loan was 7.50%, plus the Applicable Margin of 4.25%.

LIBOR loans bear interest at a fluctuating rate per annum equal to the LIBOR for the relevant period, plus the applicable margin below:

|                                            | Line of Credit and Term A Loan |              |
|--------------------------------------------|--------------------------------|--------------|
|                                            | Applicable Margin              |              |
| Total Debt to EBITDA ratio:                | <u>Base Loan</u>               | <u>LIBOR</u> |
| Less than 2.0:1.00                         | 3.50                           | 4.50         |
| Greater than 2.0:1.0 but less than 3.0:1.0 | 3.75                           | 4.75         |
| Greater than 3.0:1.0 but less than 4.0:1.1 | 4.00                           | 5.00         |
| Greater than 4.0:1.0 but less than 5.0:1.2 | 4.25                           | 5.25         |
| Greater than 5.0:1.0                       | 4.50                           | 5.50         |

The Company also has a \$63 thousand letter of credit from an external bank which is backed by a \$63 thousand letter of credit from Compass. Letters of credit under this separate facility totaling \$63 thousand were outstanding as of December 31, 2022 and 2021. The Company is required to pay letter of credit fees equal to 1.75% per annum.

The term loans and Line of Credit with Compass are collateralized by the Company’s right, title and interest in the Company’s net assets. The loan agreements also include certain financial covenants including, but not limited to, requirements to maintain certain fixed charges and leverage ratios. The Company was in compliance with all financial covenants as of December 31, 2022 and 2021.



## SternoCandleLamp Holdings, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 5 – RELATED-PARTY DEBT – Continued

Long-term debt and the related current portion consisted of the following as of December 31 (in thousands):

|                         | 2022              | 2021              |
|-------------------------|-------------------|-------------------|
| Term A Loan             | \$ 99,738         | \$ 130,896        |
| Term B Loan             | 69,213            | 69,213            |
| Debt issuance costs     | (491)             | (919)             |
| Total                   | 168,460           | 199,190           |
| Less: current portion   | 9,230             | 9,230             |
| Total long-term portion | <u>\$ 159,230</u> | <u>\$ 189,960</u> |

The Term A Loan requires annual payments of \$9.2 million to be paid in quarterly installments of \$2.3 million.

Schedule of future maturities of long-term debt is as follows as of December 31, (in thousands):

|       |                   |
|-------|-------------------|
| 2023  | \$ 9,230          |
| 2024  | 90,508            |
| 2025  | <u>69,213</u>     |
| Total | <u>\$ 168,951</u> |

As of December 31, 2022 and 2021, debt issuance costs included on the accompanying consolidated balance sheets totaled \$0.7 million and \$1.1 million, respectively. Debt issuance costs consist of loan fees associated with the related party debt. Loan fee amortization expense included in the accompanying consolidated statements of income and comprehensive income was \$451 thousand for the years ended December 31, 2022 and 2021, respectively.

## NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of December 31, (in thousands):

|                                            | 2022             | 2021             |
|--------------------------------------------|------------------|------------------|
| Accounts payable                           | \$ 34,109        | \$ 37,269        |
| Accrued payroll, commissions, and benefits | 4,514            | 4,681            |
| Accrued rebates, returns and other         | 6,820            | 7,945            |
| Accrued interest                           | 114              | 190              |
| Income taxes payable and other taxes       | 1,725            | 1,189            |
| Other accrued expenses                     | 2                | 1,407            |
| Total                                      | <u>\$ 47,284</u> | <u>\$ 52,681</u> |

## SternoCandleLamp Holdings, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 7 – INCOME TAXES

The provision for income taxes for the years ended December 31 are as follows (in thousands):

|                                             | 2022            | 2021            |
|---------------------------------------------|-----------------|-----------------|
| Current income tax expense (benefit)        |                 |                 |
| Federal                                     | \$ 3,026        | \$ 3,365        |
| State                                       | 646             | 1,008           |
| Foreign                                     | (400)           | (2,186)         |
| Total current income tax expense            | <u>3,272</u>    | <u>2,187</u>    |
| Deferred income tax (benefit) expense       |                 |                 |
| Federal                                     | (2,291)         | 15              |
| State                                       | (547)           | (210)           |
| Foreign                                     | (914)           | 617             |
| Total deferred income tax (benefit) expense | <u>(3,752)</u>  | <u>422</u>      |
| Total income tax (benefit) expense          | <u>\$ (480)</u> | <u>\$ 2,609</u> |

As of December 31, 2022 and 2021, the Company's federal and state income tax payable totaled \$1.0 million and \$0.5 million, respectively, and was included in accounts payable and accrued expenses on the accompanying consolidated balance sheets.

The tax effects of temporary differences that have resulted in the creation of deferred tax assets and deferred tax liabilities as of December 31 are as follows (in thousands):

|                                             | 2022            | 2021              |
|---------------------------------------------|-----------------|-------------------|
| Deferred tax assets                         |                 |                   |
| Accrued expenses                            | \$ 85           | \$ 72             |
| Inventory reserve                           | 3,675           | 2,645             |
| Stock options                               | 1,983           | 1,940             |
| Unicap                                      | 204             | 230               |
| Allowance for doubtful accounts             | 16              | 22                |
| Operating lease right-of-use assets         | 6,152           | 6,550             |
| Interest                                    | 1,929           | -                 |
| Deferred tax assets                         | <u>14,044</u>   | <u>11,459</u>     |
| Deferred tax liabilities                    |                 |                   |
| Intangible assets                           | (2,076)         | (2,900)           |
| Depreciation                                | (3,213)         | (3,054)           |
| Prepaid expenses                            | (382)           | (374)             |
| Operating lease right-of-use liabilities    | (5,942)         | (6,451)           |
| Deferred tax liabilities                    | <u>(11,613)</u> | <u>(12,779)</u>   |
| Total net deferred tax assets (liabilities) | <u>\$ 2,431</u> | <u>\$ (1,320)</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 7 – INCOME TAXES – Continued

As of December 31, 2022 and 2021, the Company had no material federal or state net operating loss carryforwards.

The Company applies a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit or obligation as the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments. As of December 31, 2022, the Company continued to have no material unrecognized tax benefits in its consolidated financial statements and, therefore, did not record a liability for unrecognized tax benefits.

Interest and penalties related to unrecognized tax benefits will be recognized in income tax expense. As of December 31, 2022 and 2021, no interest or penalties were included in income tax expense.

The Company is subject to U.S. federal, state, local, and foreign income tax, and in the normal course of business, its income tax returns are subject to examination by the relevant taxing authorities. In December 2022, the Company was notified of a pending audit of its 2019, 2020 and 2021 California Franchise Tax Returns. As of the date of the financial statements, the Company have no additional information as to the nature, scope or anticipated result of this pending audit.

## NOTE 8 – LEASES

The Company and its subsidiaries lease manufacturing facilities, warehouses, office facilities, equipment and vehicles under various operating agreements. Certain of the leases are subject to escalation clauses and renewal periods. The Company and its subsidiaries recognize lease expense, including predetermined fixed escalations, on a straight-line basis over the initial term of the lease including reasonably assured renewal periods from the time that the Company and its subsidiaries control the leased property. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets. Lease expense for these leases is recognized on a straight-line basis over the lease term.

Rent expense for the years ended December 31, 2022 and 2021 totaled \$8.8 million and \$7.0 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 8 – LEASES – Continued

The maturities of lease liabilities as of December 31, 2022 were as follows (in thousands):

|                                    |                  |
|------------------------------------|------------------|
| 2023                               | \$ 6,749         |
| 2024                               | 4,909            |
| 2025                               | 4,813            |
| 2026                               | 4,620            |
| 2027                               | 4,561            |
| Thereafter                         | 3,484            |
| Total undiscounted lease payments  | 29,136           |
| Less: Interest                     | 4,320            |
| Present value of lease liabilities | <u>\$ 24,816</u> |

The calculated amount of lease liabilities in the table above are impacted by the length of the lease term and discount rate used to calculate the present value of the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion.

Regarding the discount rate, FASB ASU No. 2016-02, *Leases*, which the Company adopted on January 1, 2019, requires the use of a rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes the incremental borrowing rate of the subsidiary entering into the lease arrangement, on a collateralized basis, over a similar term as adjusted for any company-specific risk.

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of December 31:

|                                       | 2022       | 2021       |
|---------------------------------------|------------|------------|
| Weighted-average remaining lease term | 5.19 years | 5.79 years |
| Weighted-average discount rate        | 6.33%      | 6.83%      |

Supplemental cash flow information related to leases were as follows as of December 31 (in thousands):

|                                                                         | 2022    | 2021     |
|-------------------------------------------------------------------------|---------|----------|
| Cash paid for amounts included in the measurement of lease liabilities: |         |          |
| Operating cash flows from operating leases                              | \$7,324 | \$6,585  |
| Right of use assets obtained in exchange for lease obligations:         |         |          |
| Operating leases                                                        | \$1,644 | \$22,173 |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 9 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company is subject to certain outside claims and litigation arising in the ordinary course of business. In the opinion of the Company's management, the outcome of such matters will not have a significant adverse effect on the financial position or results of operations of the Company.

## NOTE 10 – RELATED-PARTY TRANSACTIONS

Compass Group Management LLC ("CGM") provides management services to the Company. The Company pays CGM a quarterly management fee. The management fee expense for the years ended December 31, 2022 and 2021 totaled approximately \$500 thousand for each year, which is reflected in selling, general and administrative expenses in the consolidated statements of income and comprehensive income.

## NOTE 11 – RETIREMENT PLAN

The Company offers a 401(k) savings plan to all employees meeting minimum age and service requirements. Each employee is able to defer the maximum annual amount allowed by the Internal Revenue Service. The Company may contribute up to 5% of each employee's salary based on the amount of salary deferred by the employee. During the years ended December 31, 2022 and 2021, the Company made matching contributions to the plan totaling \$685 thousand and \$216 thousand, respectively.

## NOTE 12 – STOCK-BASED COMPENSATION

The Company's 2014 Stock Option Plan (the "Plan") provides for non-qualified stock options to purchase shares of the Company's common stock, which may be granted to employees. The Plan is administered by the Board of the Company or, if established by the Board, the Compensation Committee of the Board, which has the authority to determine the type of incentive award, as well as the terms and conditions of the awards, under the Plan. Shares under the Plan are available for grant from authorized, but unissued shares of the Company. Any granted shares that are released from an option for any reason become available for other options to be granted under the Plan.

Under the plan, 160,000 shares of common stock were available for grant. As of December 31, 2022, there were 64,285 remaining options available for grant under the Plan and 95,715 options outstanding. Options generally vest at 20% per year and are fully vested at the end of the fifth year. Options continue in force and are exercisable through the tenth anniversary of the grant date, unless terminated sooner.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted. The expected life represents the period the Company's equity-based awards are expected to be outstanding. The Company uses the simplified method for estimating expected life. The simplified method does not require the use of historical or post-vesting exercise data. Estimated volatilities are based on an analysis of comparable companies and the Company's leverage. The Company bases the risk-free interest rate on the implied yield currently available on U.S. Treasury strips maturing at the expected option term. The Company

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

## NOTE 12 – STOCK-BASED COMPENSATION – Continued

has never paid dividends and does not anticipate doing so over the expected life of the options.

The estimated values of stock option grants, as well as the weighted-average assumptions used in calculating these values for the years ended December 31, 2022 and 2021 were based on estimates at the date of grant as follows:

|                         | 2022  | 2021  |
|-------------------------|-------|-------|
| Expected term in years  | 7.5   | 7.5   |
| Expected volatility     | 33.9% | 31.4% |
| Risk free interest rate | 0.80% | 1.00% |
| Dividend yield          | 0.00% | 0.00% |

As of December 31, 2022, there was approximately \$1.8 million of total unrecognized stock-based compensation expense under the Plan that will be recognized over a period of approximately 4.0 years. The Company recorded pre-tax compensation expense of \$0.8 million and \$1.2 million for the years ended December 31, 2022 and 2021. Stock compensation expense is included in selling, general and administrative expenses in the accompanying consolidated statements of income and comprehensive income.

A summary of the Company's stock option activity and related information for the Plan was as follows:

|                                  | Number of<br>Shares | Weighted<br>Average<br>Exercise Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life |
|----------------------------------|---------------------|---------------------------------------|---------------------------------------------------------|
| Outstanding at December 31, 2021 | 148,000             | \$ 131.62                             |                                                         |
| Granted                          | 10,215              | 187.29                                |                                                         |
| Exercised                        | (23,000)            | 84.50                                 |                                                         |
| Cancelled                        | (39,500)            | 132.04                                |                                                         |
| Outstanding at December 31, 2022 | 95,715              | \$ 148.71                             | 5.9 years                                               |
| Exercisable at December 31, 2022 | 45,600              | \$ 119.94                             | 4.2 years                                               |

The aggregate intrinsic value of shares outstanding and shares exercisable as of December 31, 2022 was \$3.7 million. The weighted average grant-date fair value of options granted during the years ended December 31, 2022 and 2021 was \$70.35 and \$62.95, respectively. Total fair value of shares vested during the years ended December 31, 2022 and 2021 was \$0.8 million and \$1.3 million, respectively. The total intrinsic value of options exercised during the year ended December 31, 2022 was \$2.4 million. No options were exercised in 2021.

SternoCandleLamp Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2022 and 2021

NOTE 12 – SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through March 7, 2023, the date the financial statements were available to be issued.

Attachment: 2023-117 ATTH 01 Chap. 380 App - Sterno (4079 : 2023-117 RES Ch. 380 for existing local business)



## City of Texarkana, Texas

## Developing Perspectives and Goals Pending Approval by the City Council:

| Perspectives         | Goals                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Serve the Community  | <input type="checkbox"/> Promote an Environmentally Sensitive & Livable Community<br><input type="checkbox"/> Provide a Safe Community<br><input type="checkbox"/> Deliver Quality Services<br><input type="checkbox"/> Foster a Healthy Community                                                                                                                                                      |
| Run the Operations   | <input type="checkbox"/> Enhance Community Preparedness & Responsiveness<br><input type="checkbox"/> Maximize Partnership Opportunities<br><input type="checkbox"/> Provide Courteous & Responsive Customer Service<br><input type="checkbox"/> Model a Positive City Image<br><input type="checkbox"/> Deliver Efficient Services<br><input type="checkbox"/> Cultivate Community Involvement & Access |
| Manage the Resources | <input checked="" type="checkbox"/> Maintain Fiscal Strength<br><input checked="" type="checkbox"/> Maximize Utilization & Resources<br><input type="checkbox"/> Invest in Infrastructure & Transportation                                                                                                                                                                                              |
| Develop Personnel    | <input type="checkbox"/> Develop a Skilled & Diverse Workforce<br><input type="checkbox"/> Create a Positive & Rewarding Work Culture                                                                                                                                                                                                                                                                   |

## Perspectives and Goals Additional Comments:

## Resource Impact:

Staff time required if item is approved: No Additional

## Other Potential Impacts:

## Public Information Plan:

|                                                                 |                                                               |
|-----------------------------------------------------------------|---------------------------------------------------------------|
| <input type="checkbox"/> Newspaper Notice (Required by Statute) | <input type="checkbox"/> Public Hearing (Required by Statute) |
| <input type="checkbox"/> Public Forum/Input Session             | <input type="checkbox"/> Press Release                        |
| <input type="checkbox"/> E-News Distribution                    | <input type="checkbox"/> Website Notice                       |
| <input type="checkbox"/> Social Media (Twitter, Facebook, etc.) | <input type="checkbox"/> Special Mailing                      |
| <input type="checkbox"/> Flyers Posted                          | <input type="checkbox"/> Banners Posted                       |
| <input type="checkbox"/> Survey                                 | <input type="checkbox"/> Automated Phone Call                 |
| <input checked="" type="checkbox"/> None Required               | <input type="checkbox"/>                                      |

Other:

Attachment: 2023-117 Goals &amp; Perspectives (4079 : 2023-117 RES Ch. 380 for existing local business)

## RESOLUTION NO. 2023-117

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS, AUTHORIZING THE CITY MANAGER TO EXECUTE AN INCENTIVE AGREEMENT AND ANY NECESSARY DOCUMENTATION WITH STERNO GROUP, LLC, FOR EXPANSION OF A LOCAL MANUFACTURING BUSINESS UPON THE RECEIPT AND APPROVAL OF AN APPLICATION FOR BUSINESS INCENTIVE PURSUANT TO AND IN COMPLIANCE WITH THE CITY'S CHAPTER 380 PROGRAM REQUIREMENTS; AUTHORIZING BUSINESS INCENTIVES BASED UPON JOB CREATION AND SALARY LEVEL CRITERIA, TOTAL AGGREGATE BUSINESS INCENTIVES NOT TO EXCEED \$450,000; AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, by Resolution No. 2015-120, the City Council established a program pursuant to Chapter 380 of the Texas Local Government Code to extend business incentives for the promotion of local economic development and to stimulate business and commercial activity in the City; and

**WHEREAS**, the program requirements established by the City Council provide the criteria for City administrative review and City Council consideration when exercising discretion to grant business incentives; and

**WHEREAS**, Sterno Group, LLC, has verbally committed to creating at least 100 new jobs in Texarkana, Texas over the next three years, at an annual salary level of at least \$30,000, which is higher than the median average income of the City; and

**WHEREAS**, the City has determined that the creation of these new jobs at the stated salary level will promote local economic development, add to the economic base of the city, stimulate business and commercial activity, and be beneficial to and in the best interests of the citizens of Texarkana, Texas.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TEXARKANA, TEXAS:**

**SECTION 1:** Upon receipt and review of an Application for Business Incentive pursuant to and in compliance with the criteria of the City's Chapter 380 Program and consistent with the recitals set forth in this Resolution, the City Manager is delegated authority, within his discretion, to approve said application; and upon such approval, the City Manager is hereby authorized to negotiate and execute a written business incentive agreement with Sterno Group, LLC or its members, successors, assigns or affiliates to provide business incentives as follows: (i) the authorized incentive shall not exceed \$4,500 per new job created, one person per job, at an annual gross salary of at least \$30,000 [the specified salary level]; (ii) an aggregate total of 50 new jobs at the specified salary level must be created and maintained during the incentive term as a condition for City's initial payment of a \$225,000 business incentive, with subsequent City business incentive payments conditioned upon the creation of each set of additional 25 new jobs at the specified salary level; (iii) the incentive term shall extend for a period of three years or 36 months, or the creation of 100 jobs at the specified salary level, whichever occurs first; and (iv) the agreement may provide for agreed-upon extensions of time, as may be determined in the discretion of the City Manager, if any unachieved incentive remains at the conclusion of the three-year incentive term. The details of the authorized business incentive set out in this Section 1 shall be essential terms of the business incentive agreement.

**SECTION 2:** The business incentive agreement authorized by this Resolutions shall contain provisions for City confirmation of the incentive recipient's job creation at required payroll levels.

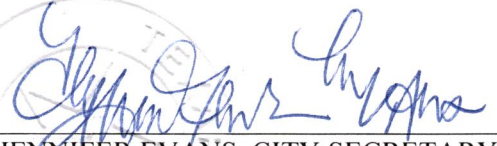
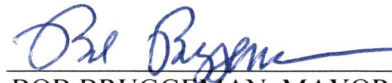
Attachment: 2023-117 RES Chap. 380 - Sterno signed (4079 : 2023-117 RES Ch. 380 for existing local business)

**SECTION 3:** The City Manager or designee is further authorized to complete and execute any necessary documents to further the incentive agreement and application process authorized by this Resolution.

**SECTION 4:** This Resolution shall be in full force and effect from and after its passage and approval.

**PASSED AND APPROVED** in Regular Council Session on this the 9<sup>th</sup> day of October, 2023.

ATTEST:

  
JENNIFER EVANS, CITY SECRETARY  
BOB BRUGGEMAN, MAYOR

6:41 p.m.

Attachment: 2023-117 RES Chap. 380 - Sterno signed (4079 : 2023-117 RES Ch. 380 for existing local business)