

Årsredovisning för
Packsize AB

556647-3384

Räkenskapsåret
2022-01-01 - 2022-12-31

<u>Innehållsförteckning:</u>	<u>Sida</u>
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Fastställelseintyg

Undertecknad styrelseledamot i Packsize AB intygar härmed dels att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen och dels att resultat- och balansräkningen fastställts på årsstämma 2023-06-30. Stämman beslutade att godkänna styrelsens förslag till resultatdisposition.

ENKÖPING 30/6 2023



Fredrik Markström

Årsredovisning för

Packsize AB

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Förvaltningsberättelse

Styrelsen och verkställande direktören för Packsize AB, 556647-3384, med säte i Enköping, får härmed avge årsredovisning för räkenskapsåret 2022-01-01 - 2022-12-31.

Redovisningsvaluta är svenska kronor.

Allmänt om verksamheten

Packsize AB:s huvudsakliga affärssyfte är att hantera den nordiska marknaden vad gäller försäljnings, service- och administrationsaktiviteter på uppdrag av Packsizegruppen. Packsize AB kommer att fortsätta agera som Holding för Packsize Europe.

Packsize AB har för räkenskapsåret 2022 uppnått en total omsättning om 5 990 TSEK, hänförlig till serviceavtal mellan Packsize AB och Packsize GmbH. Avtalet ger Packsize AB rättigheten att hantera den nordiska marknaden vad gäller försäljnings, service- och administrationsaktiviteter, för vilken de erhåller en serviceavgift som täcker administrationsrelaterade kostnader plus ett påslag.

Det har inte framkommit några viktiga externa faktorer under räkenskapsåret 2022 som väsentligen har påverkat företagets ställning.

Väsentliga händelser under räkenskapsåret

Styrelsen har ändrats. Horst Reinkensmeyer ersattes med Frank Winter och Niklas Pettersson ersattes av Fredrik Markström.

Vi öppnar en ny Packsize-enhet i Belgien och moderbolaget är Packsize AB. Men för närvarande finns det ingen verksamhet i denna enhet.

Organisation

Företaget har sitt säte i Enköping. Packsize AB är ett helägd dotterbolag till den amerikanska koncernen Packsize International LLC, 27-0166644. Packsize AB äger i sin tur Packsize Technologies AB, Packsize GmbH, Packsize Ltd, Packsize SAS, Packsize Polska Sp.z.o.o, Packsize B.V. och Packsize Pty Ltd.

I enlighet med 7 kap. 2§ ÄRL upprättas ingen koncernredovisning. Koncernredovisning där Packsize AB ingår upprättas av moderbolaget Packsize International LLC och kan erhållas genom Packsize AB, Gesällgatan 2, 745 39 Enköping, Sverige.

Flerårsöversikt (Tkr)

	2022-12-31	2021-12-31	2020-12-31	2019-12-31	Belopp i Tkr 2018-12-31
Nettoomsättning	5 990	6 675	5 127	6 566	42 586
Resultat efter finansiella poster	-789	-1 843	818	-470	35 186
Balansomslutning	74 109	71 331	70 190	77 388	79 072
Soliditet %	55	58,2	61,2	54,7	54

Definitioner: se not

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Förändring av eget kapital

	Aktie- kapital	Balanserat resultat	Årets resultat	Totalt
Belopp vid årets ingång enligt fastställd balansräkning	100 000	35 251 744	-36 278	35 315 466
Disposition enligt beslut av årets stämma		-36 278	36 278	-
Årets resultat			-21 485	-21 485
Vid årets utgång	100 000	35 215 466	-21 485	35 293 981

Förslag till disposition av företagets vinst eller förlust

Styrelsen föreslår att till förfogande stående vinstmedel, kronor 35 193 981, disponeras enligt följande:

	Belopp i kr
balanserad vinst	35 215 466
årets förlust	-21 485
	35 193 981
disponeras så att i ny räkning överföres	35 193 981

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter. Samtliga belopp anges i kr om inget annat anges.

Resultaträkning

Belopp i kr	Not	2022-01-01- 2022-12-31	2021-01-01- 2021-12-31
Nettoomsättning		5 989 875	6 675 026
Övriga rörelseintäkter	2	418 639	76 538
		<u>6 408 514</u>	<u>6 751 564</u>
Rörelsens kostnader			
Övriga externa kostnader	3	-927 871	-1 186 462
Personalkostnader	4	-4 773 731	-5 151 791
Av- och nedskrivningar av materiella och immateriella anläggningstillgångar	5	-22 569	-16 569
Övriga rörelsekostnader		-811 719	-1 643 284
		<u>-127 376</u>	<u>-1 246 542</u>
Rörelseresultat			
Resultat från finansiella poster			
Ränteintäkter och liknande resultatposter		975 233	889 816
Räntekostnader och liknande resultatposter		-1 637 281	-1 486 178
		<u>-789 424</u>	<u>-1 842 904</u>
Resultat efter finansiella poster			
Bokslutsdispositioner	6	789 424	1 842 904
		<u>-</u>	<u>-</u>
Resultat före skatt			
Skatt på årets resultat	7	-21 485	-36 278
		<u>-21 485</u>	<u>-36 278</u>
Årets resultat			

Balansräkning

<i>Belopp i kr</i>	<i>Not</i>	<i>2022-12-31</i>	<i>2021-12-31</i>
TILLGÅNGAR			
Anläggningstillgångar			
Materiella anläggningstillgångar			
Inventarier, verktyg och installationer	5	22 293	42 923
		<u>22 293</u>	<u>42 923</u>
Finansiella anläggningstillgångar			
Andelar i koncernföretag	8	19 760 584	19 760 584
Fordringar hos koncernföretag	9	16 875 653	15 512 792
		<u>36 636 237</u>	<u>35 273 376</u>
Summa anläggningstillgångar		<u>36 658 530</u>	<u>35 316 299</u>
Omsättningstillgångar			
Kortfristiga fordringar			
Kundfordringar		-	528
Fordringar hos koncernföretag		26 479 724	24 530 959
Aktuell skattefordran		5 438 552	5 438 554
Förutbetalda kostnader och upplupna intäkter		20 249	16 146
		<u>31 938 525</u>	<u>29 986 187</u>
Kassa och bank		<u>5 511 783</u>	<u>6 028 493</u>
Summa omsättningstillgångar		<u>37 450 308</u>	<u>36 014 680</u>
SUMMA TILLGÅNGAR		<u>74 108 838</u>	<u>71 330 979</u>

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Balansräkning

Belopp i kr	Not	2022-12-31	2021-12-31
EGET KAPITAL OCH SKULDER			
<i>Eget kapital</i>			
<i>Bundet eget kapital</i>			
Aktiekapital		100 000	100 000
		<u>100 000</u>	<u>100 000</u>
<i>Fritt eget kapital</i>			
Vinst eller förlust föregående år		35 215 466	35 251 744
Årets resultat		-21 485	-36 278
		<u>35 193 981</u>	<u>35 215 466</u>
Summa eget kapital		<u>35 293 981</u>	<u>35 315 466</u>
<i>Obeskattade reserver</i>			
Periodiseringsfonder	11	7 003 385	7 792 809
		<u>7 003 385</u>	<u>7 792 809</u>
<i>Långfristiga skulder</i>			
Skulder till koncernföretag	12	12 834 804	11 121 992
Övriga långfristiga skulder		10 621 900	9 762 304
		<u>23 456 704</u>	<u>20 884 296</u>
<i>Kortfristiga skulder</i>			
Leverantörsskulder		21 266	67 879
Skulder till koncernföretag		6 793 093	5 322 987
Skatteskulder		21 485	36 278
Övriga kortfristiga skulder		192 778	349 286
Upplupna kostnader och förutbetalda intäkter	13	1 326 146	1 561 978
		<u>8 354 768</u>	<u>7 338 408</u>
SUMMA EGET KAPITAL OCH SKULDER		<u>74 108 838</u>	<u>71 330 979</u>

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Noter

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar

Årsredovisningen har upprättats i enlighet med årsredovisningslagen och Bokföringsnämndens allmänna råd BFAR 2012:1 Årsredovisning och koncernredovisning (K3).

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Intäktsredovisning

Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

Anläggningstillgångar

Materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar enligt plan och eventuella nedskrivningar. I anskaffningsvärdet ingår utgifter som är direkt hänförliga till förvärvet av tillgången. När en komponent i en anläggningstillgång byts ut, utrangeras eventuell kvarvarande del av den gamla komponenten och den nya komponentens anskaffningsvärde aktiveras. Tillkommande utgifter som avser tillgångar som inte delas upp i komponenter läggs till anskaffningsvärdet om de beräknas ge företaget framtida ekonomiska fördelar, till den del tillgångens prestanda ökar i förhållande till tillgångens värde vid anskaffningstidpunkten. Utgifter för löpande reparation och underhåll redovisas som kostnader.

Realisationsvinst respektive realisationsförlust vid avyttring av en anläggningstillgång redovisas som Övrig rörelseintäkt respektive Övrig rörelsekostnad.

Avskrivning sker linjärt över den förväntade nyttjandeperioden med hänsyn till väsentligt restvärde. Följande avskrivningsprocent tillämpas:

Materiella anläggningstillgångar	%
Inventarier, verktyg och installationer	20

Finansiella instrument

Kundfordringar/kortfristiga fordringar

Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

Låneskulder och leverantörsskulder

Låneskulder och leverantörsskulder redovisas initialt till anskaffningsvärde efter avdrag för transaktionskostnader.

Kvittning av finansiell fordran och finansiell skuld

En finansiell tillgång och en finansiell skuld kvittas och redovisas med ett nettobelopp i balansräkningen endast då legal kvittningsrätt föreligger.

Inkomstskatter

Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekter redovisas i eget kapital.

Aktuell skatt

Aktuell skatt avser inkomstskatt för innevarande räkenskapsår samt den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån den skattesats som gäller per balansdagen. Fordringar och skulder netto redovisas endast när det finns legal rätt till kvittning.

Uppskjuten skatt

På grund av sambandet mellan redovisning och beskattning särredovisas inte den uppskjutna skatteskulden som är hänförlig till obeskattade reserver.

Obeskattade reserver

Obeskattade reserver redovisas som bruttobelopp i balansräkningen, inklusive den uppskjutna skatteskuld som är hänförlig till reserverna.

Bokslutsdispositioner

Förändringar av obeskattade reserver redovisas som bokslutsdispositioner i resultaträkningen. Koncernbidrag redovisas enligt 35 kap. inkomstskattelagen (1999:1229) som bokslutsdispositioner.

Ersättningar till anställda

Ersättningar till anställda avser alla former av ersättningar som företaget lämnar till de anställda. Företagets ersättningar innefattar bland annat löner, betald semester, betald frånvaro, bonus och ersättningar efter avslutad anställning (pension). Redovisningen sker i takt med intjänandet. Ersättningar till anställda efter avslutad anställning avser avgiftsbestämda pensionsplaner.

I företaget finns endast avgiftsbestämda pensionsplaner. Som avgiftsbestämda planer klassificeras planer där fastställda avgifter betalas och det inte finns förpliktelser att betala något ytterligare, utöver dessa avgifter.

Utgifter för avgiftsbestämda planer redovisas som en kostnad under den period de anställda utför de tjänster som ligger till grund för förpliktelsen.

Nyckeltalsdefinitioner

Nettoomsättning
Rörelsens huvudintäkter

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Balansomslutning
Företagets samlade tillgångar

Soliditet %
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Uppskattningar och bedömningar

Styrelsen anser inte att det har gjorts några bedömningar eller uppskattningar som väsentligt påverkar den finansiella ställningen.

Not 2 Övriga rörelseintäkter

	2022-01-01- 2022-12-31	2021-01-01- 2021-12-31
Valutakursvinster	330 813	-
Försäljning av anläggningstillgångar	87 826	76 538
Summa	418 639	76 538

Not 3 Leasingavtal

Företaget har inga väsentliga leasingåtaganden.

Not 4 Medelantalet anställda

	2022-01-01- 2022-12-31	2021-01-01- 2021-12-31
Medelantalet anställda	3	3
Totalt	3	3

Not 5 Inventarier, verktyg och installationer

	2022-12-31	2021-12-31
<i>Akkumulerade anskaffningsvärden</i>		
-Vid årets början	133 652	278 074
-Nyanskaffningar	1 939	35 578
-Avyttringar och utrangeringar		-180 000
Utgående ackumulerade anskaffningsvärden	135 591	133 652
<i>Akkumulerade avskrivningar</i>		
-Vid årets början	-90 729	-254 160
-Återförda avskrivningar på avyttringar och utrangeringar		180 000
-Årets avskrivning	-22 569	-16 569
	-113 298	-90 729
Redovisat värde vid årets slut	22 293	42 923

Not 6 Bokslutsdispositioner

	2022-01-01- 2022-12-31	2021-01-01- 2021-12-31
Periodiseringsfond, årets avsättning	-	0
Periodiseringsfond, årets återföring	789 424	1 842 904
Summa	789 424	1 842 904

Not 7 Aktuell och uppskjuten skatt

	2022-01-01- 2022-12-31	2021-01-01- 2021-12-31
Skatt på årets resultat		
Aktuell skatt	-21 485	-36 278
Totalt redovisad skatt	-21 485	-36 278

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Avstämning av effektiv skatt

		2022-01-01- 2022-12-31		2021-01-01- 2021-12-31
	Procent		Procent	
Redovisat resultat före skatt		-		-
Skatt enligt gällande skattesats	20,60		20,60	-
Ej avdragsgilla kostnader		-4 927		-3 575
Ej skattepliktiga intäkter		1 226		
Skatteeffekt schablonintäkt periodiseringsfond		-8 027		-9 925
Uppräkning av återförda periodiseringsfonder		-9 757		-22 778
Redovisad effektiv skatt	-	-21 485	-	-36 278

Not 8 Andelar i koncernföretag

	2022-12-31	2021-12-31
Akkumulerade anskaffningsvärden:		
-Vid årets början	19 760 584	19 760 584
Utgående ackumulerade anskaffningsvärden	19 760 584	19 760 584
Utgående redovisat värde	19 760 584	19 760 584

Specifikation av moderföretagets innehav av aktier och andelar i koncernföretag

Namn	Kapital- andel	Rösträtts- andel	Antal andelar	Bokfört värde
Packsize Technologies AB	100%	100%	10 456	3 830 862
Packsize GmbH	100%	100%	1	15 743 187
Packsize Ltd	100%	100%	1	103
Packsize SAS	100%	100%	1	174 528
Packsize Polska SP.z.o.o	100%	100%	1	11 284
Packsize Pty Ltd	100%	100%	1	620
Packsize B.V	100%	100%	1	-
				19 760 584

Not 9 Fordringar hos koncernföretag

	2022-12-31	2021-12-31
Akkumulerade anskaffningsvärden:		
-Vid årets början	15 512 792	11 712 829
-Tillkommande fordringar	1 362 861	3 799 963
-Reglerade fordringar		0
Utgående ackumulerade anskaffningsvärden	16 875 653	15 512 792
Redovisat värde vid årets slut	16 875 653	15 512 792

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Not 10 Ställda säkerheter

Ställda säkerheter

	2022-12-31	2021-12-31
För egna skulder och avsättningar		
Företagsinteckningar	22 771 000	22 771 000
Summa ställda säkerheter	22 771 000	22 771 000

Not 11 Obeskattade reserver

	2022-12-31	2021-12-31
Periodiseringsfond, avsatt vid beskattningsår 2018	6 758 932	7 548 356
Periodiseringsfond, avsatt vid beskattningsår 2020	244 453	244 453
	7 003 385	7 792 809

Not 12 Långfristiga skulder

	2022-12-31	2021-12-31
Skulder som förfaller senare än fem år från balansdagen		
Skulder till koncernföretag	12 834 804	11 121 992
Övriga externa lån	10 621 900	9 762 304
	23 456 704	20 884 296

Not 13 Upplupna kostnader och förutbetalda intäkter

	2022-12-31	2021-12-31
Upplupna räntekostnader	82 248	76 573
Upplupna ersättningar	337 486	634 845
Upplupna semesterlöner	467 520	423 805
Upplupna sociala avgifter	203 278	388 256
Övriga poster	235 614	38 500
	1 326 146	1 561 979

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Underskrifter

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Enköping 2023 - 06-30

Frank Winter
Styrelseledamot
Verkställande direktör



Fredrik Markström
Styrelseledamot

Hanko Kiessner
Styrelseordförande

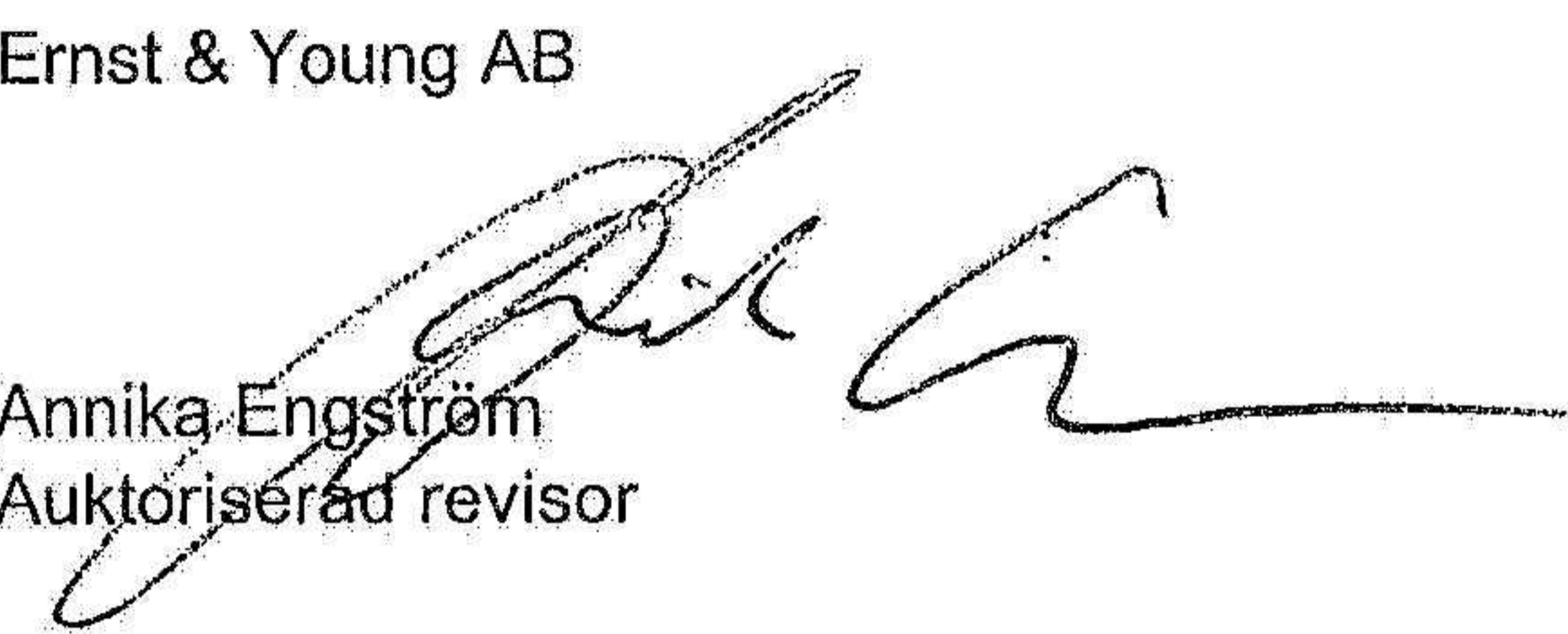


Vår revisionsberättelse har lämnats

30/6 2023

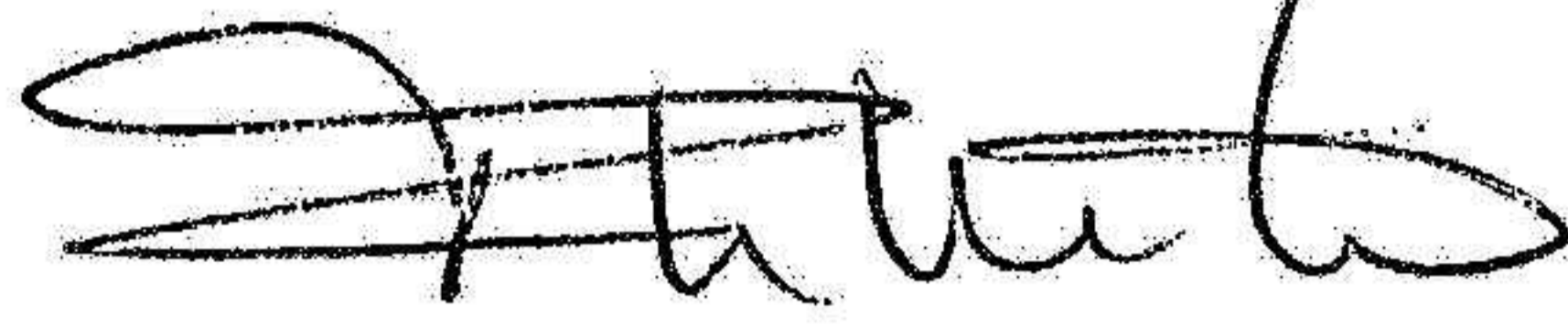
Ernst & Young AB

Annika Engström
Auktoriserad revisor



Underskrifter

Enköping 2023 - 06 - 30



Frank Winter
Styrelseledamot
Verkställande direktör

Hanko Kiessner
Styrelseordförande

Fredrik Markström
Styrelseledamot

Vår revisionsberättelse har lämnats

Ernst & Young AB

Annika Engström
Auktoriserad revisor



Building a better
working world

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning av Packsize AB för räkenskapsåret 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Packsize AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

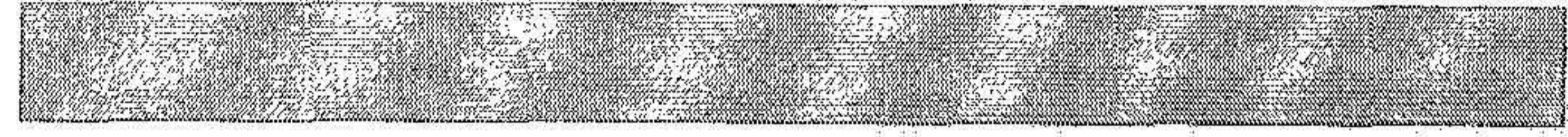
Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaper. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm den 30/6 2023

Ernst & Young AB

Annika Engström
Auktoriserad revisor

2023080801782



CONSOLIDATED FINANCIAL STATEMENTS

PACKSIZE INTERNATIONAL, LLC
Years Ended December 31, 2022 and 2021
With Report of Independent Auditors



2023080801783

PACKSIZE INTERNATIONAL, LLC

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

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Ernst & Young LLP
Suite 1800
15 W. South Temple
Salt Lake City, UT 84101

Tel: +1 801 350 3300
Fax: +1 801 350 3456
ey.com

2023080801784

Report of Independent Auditors

Management and Members of
Packsize International, LLC

Opinion

We have audited the consolidated financial statements of Packsize International, LLC (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at 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.

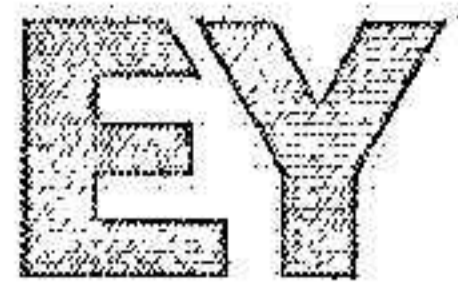
Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 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 financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the 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 that the financial statements are available to be issued.



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working world

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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.

Ernst + Young LLP

May 8, 2023

PACKSIZE INTERNATIONAL, LLC

Consolidated Balance Sheets

	December 31,	
	2022	2021
Current assets		
Cash and cash equivalents	\$ 2,887,797	\$ 2,662,214
Accounts receivable, net of allowance for doubtful accounts of \$912,422 and \$536,025, respectively	72,723,964	56,364,464
Inventory	2,176,523	1,101,702
Spare parts inventory	18,699,350	13,681,664
Current portion of finance leases receivable	623,236	599,632
Other current assets	14,964,344	11,543,399
Total current assets	112,075,214	85,953,075
Property and equipment, net	227,869,984	171,847,866
Definite-lived intangible assets, net	7,246,741	6,938,356
Cost method investment	1,000,000	1,000,000
Finance leases receivable, net of current portion	1,902,532	1,673,911
Right-of-use asset	8,378,932	-
Other long-term assets	3,990,209	4,797,352
Total assets	\$ 362,463,612	\$ 272,210,560
Current liabilities		
Accounts payable	\$ 35,591,527	\$ 45,970,461
Accrued and other liabilities	28,399,403	21,367,679
Current portion of notes payable	-	15,508
Current portion of lease liabilities	2,574,651	-
Current portion of finance lease obligations	169,050	223,445
Total current liabilities	66,734,631	67,577,093
Non current liabilities		
Lines of credit	165,090,908	100,112,270
Notes payable, net of current portion	1,020,046	2,976,987
Lease liabilities, net of current portion	5,824,704	-
Finance lease obligations, net of current portion	578,933	21,424
Other long-term liabilities	7,556,382	4,069,016
Deferred tax liabilities	1,140,044	1,190,110
Total liabilities	247,945,648	175,946,900
Members' equity		
Preferred units, no par value, 2,320,000 units Series A authorized; 2,243,093 units Series A outstanding as of December 31, 2022 and 2021; 1,568,998 units Series C authorized and outstanding as of December 31, 2022 and 2021	14,884,452	14,884,452
Common units, no par value, 13,000,000 units authorized; 8,124,558 units and 8,130,808 units outstanding as of December 31, 2022 and December 31, 2021, respectively.	2,603,009	2,603,009
Additional paid-in capital	837,370	1,287,291
Accumulated other comprehensive loss	(1,910,921)	(220,884)
Retained earnings	98,104,054	77,709,792
Total members' equity	114,517,964	96,263,660
Total liabilities and members' equity	\$ 362,463,612	\$ 272,210,560

See accompanying notes to consolidated financial statements.

PACKSIZE INTERNATIONAL, LLC

Consolidated Statements of Income and Comprehensive Income

	Years Ended December 31,	
	2022	2021
Sales	\$ 546,317,666	\$ 444,488,011
Cost of sales	411,009,069	338,683,784
Gross profit	135,308,597	105,804,227
Operating expenses	103,929,186	74,788,364
Income from operations	31,379,411	31,015,863
Other expense:		
Interest expense	(5,621,241)	(3,699,091)
Other, net	(2,085,974)	(2,439,266)
Other expense, net	(7,707,215)	(6,138,357)
Income before income taxes	23,672,196	24,877,506
Income tax provision	(2,236,260)	(1,518,543)
Net income	21,435,936	23,358,963
Other comprehensive loss:		
Foreign currency translation adjustments	(1,690,037)	(1,052,466)
Total other comprehensive loss	(1,690,037)	(1,052,466)
Comprehensive income	\$ 19,745,899	\$ 22,306,497

See accompanying notes to consolidated financial statements.

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PACKSIZE INTERNATIONAL, LLC

Consolidated Statements of Changes in Members' Equity

	Preferred units		Common units		Additional paid-in capital	Accumulated other comprehensive (loss) income	Retained earnings	Total members' equity
	Units	Amount	Units	Amount				
Balance at December 31, 2020	3,812,091	14,884,452	8,202,383	2,603,009	2,177,208	831,582	\$ 54,527,829	\$ 75,024,080
Net income	-	-	-	-	-	-	23,358,963	23,358,963
Other comprehensive income	-	-	-	-	-	(1,052,466)	-	(1,052,466)
Member distributions	-	-	-	-	-	-	(177,000)	(177,000)
Profits interest compensatory units repurchased	-	-	(89,825)	-	(968,975)	-	-	(968,975)
Vested profits interest compensatory units and related compensation expense	-	-	18,250	-	79,058	-	-	79,058
Balance at December 31, 2021	3,812,091	14,884,452	8,130,808	2,603,009	1,287,291	(220,884)	77,709,792	96,263,660
Net income	-	-	-	-	-	-	21,435,936	21,435,936
Other comprehensive income	-	-	-	-	-	(1,690,037)	-	(1,690,037)
Member distributions	-	-	-	-	-	-	(1,041,674)	(1,041,674)
Profits interest compensatory units repurchased	-	-	(20,000)	-	(480,525)	-	-	(480,525)
Vested profits interest compensatory units and related compensation expense	-	-	13,750	-	30,604	-	-	30,604
Balance at December 31, 2022	3,812,091	14,884,452	8,124,558	2,603,009	837,370	(1,910,921)	\$ 98,104,054	\$ 114,517,964

See accompanying notes to consolidated financial statements.

PACKSIZE INTERNATIONAL, LLC

Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 21,435,936	\$ 23,358,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,282,122	29,807,643
Unrealized gain on interest rate swap	(1,187,920)	(1,042,006)
Amortization of deferred financing costs	180,656	135,153
Gain on debt extinguishment	-	(5,041,857)
Deferred tax expense (benefit)	27,801	(312,561)
Bad debt expense (benefit)	376,835	(137,631)
Profits interest compensatory unit-based compensation expense	30,604	79,058
Amortization of right-of-use asset	2,647,791	-
Unrealized foreign currency transaction loss	533,097	1,840,314
Loss (gain) on sale of property and equipment	436,993	(1,408,626)
Changes in:		
Accounts receivable	(17,195,806)	(12,823,428)
Inventory	(545,474)	1,515,462
Spare parts inventory	(6,145,220)	(5,297,164)
Other assets	(3,336,582)	(7,860,828)
Accounts payable	(12,898,662)	15,032,202
Lease liabilities	(2,665,071)	-
Accrued and other liabilities	12,697,083	7,906,080
Net cash provided by operating activities	28,674,183	45,750,774
Cash flows from investing activities:		
Purchase of property and equipment	(91,127,362)	(69,458,968)
Purchase of definite-lived intangible assets	(1,275,125)	(1,526,736)
Proceeds from sale of property and equipment	3,065,026	3,620,244
Payments from long-term receivable due from related parties	-	283,872
Net cash used in investing activities	(89,337,461)	(67,081,588)
Cash flows from financing activities:		
Drawdowns on line of credit	336,282,043	260,716,316
Payments on line of credit	(271,138,049)	(238,306,443)
Amounts paid for financing costs	(307,014)	-
Principal payments on notes payable	(1,867,594)	(206,043)
Proceeds received from issuance of notes	-	200,000
Principal payments on finance lease obligations	(263,066)	(377,508)
Repurchase of profits interest compensatory units	(480,525)	(968,975)
Member distributions	(1,041,674)	(177,000)
Net cash provided by financing activities	61,184,121	20,880,347
Effect of foreign currency exchange rates on cash and cash equivalents	(295,260)	(369,407)
Net increase (decrease) in cash and cash equivalents	225,583	(819,874)
Cash and cash equivalents, beginning of period	2,662,214	3,482,088
Cash and cash equivalents, end of period	\$ 2,887,797	\$ 2,662,214
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 6,322,217	\$ 3,736,403
Income taxes	\$ 2,754,025	\$ 1,002,132
Non-cash investing and financing activities:		
Property and equipment costs financed through accounts payable and finance lease obligations	\$ 4,312,680	\$ 937,770
Right-of-use assets obtained in exchange for lease obligations	\$ 11,026,723	\$ -

See accompanying notes to consolidated financial statements.

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements

December 31, 2022

1. Organization and Nature of Operations

Packsize International, LLC (the Company or Packsize) provides packaging solutions, services, hardware, software, and consumables in the on-demand packaging market. The Company primarily sells, under supply agreements, corrugated cardboard (z-fold) and packaging solutions to customers that use the Company's machines, under lease arrangements, to make custom boxes.

With operations in North America, Europe, and Australia, Packsize serves a diversified customer base including eCommerce and fulfillment, printing, manufacturing, furniture, and cabinetry.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Such estimates include determination of the transaction price for revenue recognition; collectability of accounts receivable; realizable value of inventories; the estimated useful lives and assessments of impairment for property and equipment; intangible assets and other long-lived assets; fair value of derivative instruments and hedging activities; fair value of unit-based compensation expense, income taxes; and others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of Packsize International, LLC and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents

The Company considers all cash on deposit and money market accounts and highly-liquid debt and equity instruments purchased with original maturities of less than three months to be cash and cash equivalents.

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

Foreign Currency Translation and Transactions

The functional currency of certain of the Company's subsidiaries is the Euro (EUR), the Swedish Krona (SEK), the Australian Dollar (AUD), the British Pound (GBP), and the Polish Zloty (PLN). Accordingly, assets and liabilities are translated into U.S. dollars using period-end exchange rates. Sales and expenses are translated at the average exchange rates in effect during the period. The resulting translation gains or losses are recorded as a component of accumulated other comprehensive income in the consolidated statements of members' equity and the consolidated statements of income and comprehensive income. Net losses resulting from foreign currency remeasurements and transactions are included in income as a component of other, net in the consolidated statements of income and comprehensive income and totaled \$1,948,425 and \$2,612,041 for the years ended December 31, 2022 and 2021, respectively.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount. The Company performs credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on its historical write-off experience, current market trends, and specific identification of customer payment capability. Customers with balances over 90 days old and other higher risk accounts are reviewed individually for collectability. Accounts receivable are written off when the probability of collection becomes remote. Recoveries of accounts receivable previously written off are recorded when cash is received.

Inventories

Inventories are stated at cost (determined on a first-in, first-out and weighted average basis) and consist of packaging materials and spare parts. Spare parts consist of interchangeable parts used for the repair or replacement of components in the machines the Company places with its customers to make custom boxes. On average, spare parts have a historical turnover of approximately one year. For this reason, the Company has classified the spare parts inventory as a current asset within the consolidated balance sheets. Spare parts may also be included in the machines which the Company capitalizes as property and equipment and depreciates over their expected useful life.

Assessments to value the inventory at the lower of the actual cost to purchase and / or manufacture the inventory, or the current estimated net realizable value of the inventory, are based upon assumptions about future demand and market conditions. As a result of the Company's assessments, when the net realizable value of inventory is less than the carrying value, the inventory cost is written down to the net realizable value and the write down is recorded as a charge to cost of goods sold.

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Costs for machines and attachments that are leased to customers includes the related costs to place the equipment at the customers' locations and ready it for its intended use, including capitalized interest for the period prior to the equipment being made ready for use. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Useful Life</u>
Machines and attachments	7 Years
Furniture and fixtures	7 Years
Vehicles	5 Years

Major additions and improvements are capitalized while minor replacements, maintenance, and repairs which do not increase the useful lives of the assets are expensed as incurred. Major additions and improvements include refurbishing used machines which increases the useful life. Gains and losses on sales of property and equipment are reflected in operations. Leasehold improvements are included in furniture and fixtures and are depreciated over the lesser of the lease term or life of the asset.

Definite-Lived Intangible Assets

Intangible assets consist of intellectual property, patents, trademarks, and software. The Company capitalizes legal costs that are incurred to acquire patents when the costs and related patents are specifically identifiable.

Amortization is computed using the straight-line method over the estimated useful lives of the related assets, or the remaining life of the patent if less, as follows:

	<u>Useful Life</u>
Patents	15 Years
Intellectual property	15 Years
Trademarks	10 Years
Software	3 Years

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

Impairment of Long-Lived Assets

The Company reviews its long-lived tangible assets, including property and equipment, assets held for sale, and definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed the estimated future undiscounted net cash flows related to those assets. In those circumstances, the carrying values of the assets are compared to their fair values and if greater than the fair values, an impairment loss is recognized. Impairment losses are reflected in operations.

In 2022 and 2021, the Company did not record any impairment losses.

Revenue Recognition

The Company follows Accounting Standard Update 2014-09, "Revenue from Contracts with Customers" ("Topic 606").

The Company primarily enters into equipment usage and supply agreements to provide equipment and related z-fold corrugated to customers. The Company's sales of z-fold corrugated fall within the scope of Topic 606. The Company recognizes revenue when persuasive evidence of a contract with a customer exists and as the identified performance obligation is satisfied as the customer obtains control of the goods. Revenue is measured based on the amount of consideration that is expected to be received for providing the good to the customer.

Under Topic 606, the Company determines if any components of its contracts with customers fall within the scope of other accounting literature. The Company has identified that some components of its contracts with customers, shipping and installation of equipment and use of the equipment and software, fall under the accounting guidance in ASC Topic 842, "Leases" ("Topic 842"). Accordingly, the Company recognizes revenue for those elements in accordance with ASC Topic 842, which results in total minimum lease payments to be received being recognized over the term of the contract. Lease payments that are contingent upon the sale of z-fold corrugated are recognized at the time the control of the z-fold corrugated is transferred to the customer.

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

Capitalized Contract Costs

Capitalized contract costs represent the costs directly related and incremental to the origination of new contracts and are included in other current assets and other long-term assets on the consolidated balance sheet. These costs include commissions, other compensation and related costs paid directly for the origination of new customer contracts. These costs are deferred and amortized on a straight-line basis over the expected period of benefit that we have determined to be three years. Amortization of capitalized contract costs is included in operating expenses on the consolidated statements of income and comprehensive income. These deferred costs are

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

periodically reviewed for impairment. There were no impairment losses recorded during the periods presented. Costs not directly related and incremental to the origination of new contracts are expensed as incurred.

Finance Leases (Sales-type Lease)

Certain of the Company's contracts with customers are classified as sales-type finance leases for financial accounting purposes. The Company reports the discounted present value of (i) future minimum lease payments (including the bargain purchase option) and (ii) any residual value not subject to a bargain purchase option as a finance lease receivable on its balance sheets and accrues interest on the balance of the finance lease receivable based on the interest rate inherent in the applicable lease over the term of the lease. For sales-type finance leases, the Company removes the asset from its balance sheet on commencement of the lease and recognizes the difference between the net book value of the machine and the net investment in sales-type finance leases as a gain or loss, less any initial direct costs and lease incentives.

Income Taxes

As a limited liability company, the Company's taxable income or loss is the responsibility of its members. Therefore, no provision or liability for federal and certain state income taxes has been included in the accompanying financial statements for the parent Company and its subsidiary in the United States, which is also a limited liability company. Certain states tax the Company instead of its members and such state tax liability has been included in income tax expense in the statements of income.

The Company has various foreign subsidiaries that are corporations, and, therefore, are taxable in the countries in which they reside, which taxes are payable by the Company. For these foreign subsidiaries, deferred income tax assets or liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income 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 settled or realized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax assets are reviewed for recoverability, and the Company records a valuation allowance to reduce its deferred income tax assets when it is more likely than not that all or some portion of the deferred income tax assets will not be realized.

As of December 31, 2022 and 2021, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company's 2022, 2021, 2020, and 2019 tax years are open to federal and state income tax examination. To the extent interest and penalties would be assessed by taxing authorities of any underpayment of income taxes, such

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

amounts are accrued and classified as a component of income tax expense on the Company's consolidated statements of income.

Shipping and Handling

Shipping and handling costs billed to customers are included in sales revenue. Shipping and handling expenses are included in cost of goods sold.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses totaling \$140,333 and \$347,800 are included in operating expenses for the years ended December 31, 2022 and 2021, respectively.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development expenses totaling \$19,424,481 and \$21,101,730 are included in operating expenses for the years ended December 31, 2022 and 2021, respectively.

Concentrations of Credit Risk and Suppliers

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of accounts receivable and finance lease (sales-type lease) receivables. In the normal course of business, the Company extends credit to its customers, which are in diverse end markets. Many customers to which the Company extends credit are located outside the United States. The Company performs ongoing credit evaluations of customers, generally does not require collateral, and considers the credit risk profile of the entity from which the receivable is due in further evaluating collection risk. In addition, the Company has the right to extract machines for non-payment.

The Company, at times, maintains money market instruments that are not federally insured in the United States or elsewhere. The Company has not experienced any losses in these instruments and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Purchases from one supplier accounted for 40.9% and 38.7% of total purchases during the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Company had \$6,707,362 and \$21,888,844, respectively, of accounts payable to this supplier. This supplier also holds a controlling interest in the Company's cost method investment. No other supplier accounted for 10% or more of purchases for the years ended December 31, 2022 and 2021.

The Company has 41 employees in its Swedish manufacturing subsidiary who belong to labor organizations, with whom the Company negotiates collective bargaining agreements. Less than 10 percent of the Company's total employees are covered by collective bargaining agreements, and none of these agreements expire within one year from December 31, 2022.

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

Fair Value of Financial Instruments

The Company measures at fair value certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is 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, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

- Level 1 — Quoted market prices in active markets for identical assets or liabilities;
- Level 2 — Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable, such as interest rate and yield curves, and market-corroborated inputs); and
- Level 3 — Unobservable inputs in which there is little or no market data, which require the reporting unit to develop its own assumptions.

The Company's financial instruments consist of cash and cash equivalents, receivables, payables, debt, deferred compensation related assets, deferred compensation related liabilities, and derivative instruments. The carrying amount of cash and cash equivalents, receivables, payables and variable rate debt approximates fair value because of the short-term nature of these instruments or because, in the case of variable rate debt, the interest rate approximates a market interest rate. The carrying amount of the Company's fixed rate debt may not represent fair value. The fair value of deferred compensation related assets and liabilities are determined using quoted market prices from daily exchange traded markets on the closing price as of the balance sheet date and are classified as Level 1.

Derivative financial instruments are recognized as either assets or liabilities in the balance sheets at their respective fair values. As a matter of policy, the Company uses derivatives for risk management purposes as hedges for changes in interest rates. The Company does not use derivatives for speculative purposes.

Fair value of the derivative instruments is determined using pricing models developed based on the underlying swap interest rate and other observable market data as appropriate. The values are also adjusted to reflect nonperformance risk of the counterparty and the Company, as necessary, and are classified as Level 2. Changes in the fair value of derivatives that are not designated as hedges are recorded in earnings each period.

As of December 31, 2022 and 2021, the Company's assets and liabilities measured at fair value on a recurring basis and their level are as shown:

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

	<u>December 31, 2022</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Deferred compensation assets	\$1,339,186	\$1,339,186	—	—
Interest rate swap derivative assets	\$672,078	—	\$672,078	—
Deferred compensation liabilities	\$1,339,186	\$1,339,186	—	—
Interest rate swap derivative liabilities	\$218,899	—	\$218,899	—

	<u>December 31, 2021</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Deferred compensation assets	\$123,083	\$123,083	—	—
Deferred compensation liabilities	\$123,083	\$123,083	—	—
Interest rate swap derivative liabilities	\$734,741	—	\$734,741	—

Refer to Note 10 for further disclosure regarding the Company's derivatives.

Comprehensive Income

Comprehensive income includes changes to equity accounts that were not the result of transactions with unit holders. Comprehensive income is comprised of net income and changes in the cumulative foreign currency translation adjustments.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The purpose of the standard is to improve transparency and comparability related to the accounting and reporting of leasing arrangements. The guidance requires balance sheet recognition for assets and liabilities associated with rights and obligations created by leases with terms greater than twelve months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. Early adoption is permitted. The Company adopted this standard as of January 1, 2022.

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

In transition, the Company recognized and measured leases at the beginning of the period of adoption, January 1, 2022, using a modified retrospective approach and elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs for all leases where the Company is the lessee. Additionally, the Company elected to combine lease and non-lease components for all asset classes. There was no impact upon adoption to leases where the Company is the lessor. Variable lease payments are defined as payments made for the right to use an asset that vary because of changes in facts or circumstances occurring after the commencement date, other than the passage of time. Any variable lease components are expensed as incurred. The Company elected the short-term policy election and recognizes lease payments related to short-term leases in profit or loss on a straight-line basis over the lease term. All periods prior to December 31, 2022, were presented in accordance with the previous ASC 840, Leases, and no retrospective adjustments were made to the comparative periods presented.

The Company determines if an arrangement is or contains a lease at inception. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on an amount equal to the present value of lease payments over the lease term for both operating and finance leases. The operating lease ROU assets also include adjustments related to prepaid or deferred lease payments and lease incentives. The Company used the implicit rate when it was readily determinable and utilized the incremental borrowing rate for the remaining lease term and remaining minimum rental payments for the calculation of the lease liability at the adoption date when an implicit rate was not provided.

The adoption of Topic 842 had an impact to the Company's consolidated balance sheets and consolidated statement of cash flows relating to the recognition of ROU assets and liabilities for operating leases. There is no material impact to the consolidated statements of income and comprehensive income.

In June 2016, the FASB issued ASC 2016-13, "Measurement of Credit Losses on Financial Instruments" ("Topic 326"), which replaces the incurred loss impairment methodology under the current guidance with an expected loss methodology that requires consideration of forward-looking information to estimate credit losses. Topic 326 is effective for annual periods beginning after December 15, 2022. Early adoption is permitted. Any adjustments recorded as a result of adopting this standard are required to be recorded through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company is currently evaluating the potential impact of Topic 326 on its consolidated financial statements and presentation.

3. Revenue

Performance Obligations

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

The Company provides customers packaging solutions. A significant portion of the Company's revenue is invoiced as sales of z-fold corrugated. For sales of z-fold corrugated, revenue is recognized at a point in time when control of the goods is transferred to customers. Control of the goods can transition to customers upon shipment or delivery depending on customer-specific contract terms.

The Company has identified that certain components of its contracts with customers fall under the guidance of Topic 842. These components include the shipping and installation of equipment as well as the use of the equipment and the software that is essential to the functionality of the equipment. The Company's customers use the Company's equipment, and the purchased z-fold corrugated, to create custom sized packaging for shipping products to end customers.

Revenue Recognition

When determining the transaction price or, in other words, the amount of revenue to be recognized, the transaction price reflects the amount of consideration to which the Company expects to be entitled in exchange for the goods and services it transfers to customers. The Company typically determines the transaction price of its contracts by noting any fees specifically identified in the contract, typically an installation fee, minimum lease fees, and adding an estimated amount of z-fold corrugated material that will be ordered over the life of the contract.

The total transaction price of a contract is allocated on a relative standalone selling price basis to 1) sales of z-fold corrugated and 2) the use of the Company's equipment and software including service and support. The Company determines the standalone selling price of z-fold corrugated either based on standalone sales prices or by using market prices, depending on the type of corrugated material. For other components of the Company's contracts with customers, accounted for under Topic 842, standalone selling price is primarily determined based on the expected cost plus margin approach, unless actual standalone selling prices are available for a particular type of machine.

The transaction price allocated to the shipping and installation and other fixed lease payments related to the Company's equipment is recognized on a straight-line bases over the contract term. The transaction price allocated to the right to use the Company's equipment and software is recognized simultaneously with the delivery of the z-fold corrugated.

The payment terms for the Company's customers vary by customer. Payment terms typically range from 30 to 90 days.

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates revenue from contracts with customers:

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

	2022	2021
Z-fold corrugated	\$411,888,193	\$348,528,800
Use of equipment, software, service and support	98,726,271	67,828,255
Consumable and accessory	21,286,506	16,930,871
Machine sales	11,696,663	7,145,083
Other	2,720,033	4,055,002
	\$546,317,666	\$444,488,011

The Company's customers are located in North America, Europe, and Australia, within industries such as eCommerce and fulfillment, printing, manufacturing, furniture, and cabinetry.

The Company recognizes the cost for shipping and handling as a fulfillment activity. Shipping and handling costs are included in cost of sales.

4. Finance Leases (Sales-type Lease) Receivable

At December 31, 2022 and December 31, 2021, the net investment included in sales-type finance leases receivable were as follows:

	2022	2021
Gross minimum lease payments receivable	\$ 2,754,606	\$ 2,378,838
Less unearned interest	(228,838)	(105,295)
Total finance leases receivable	2,525,768	2,273,543
Less current portion of finance leases receivable	(623,236)	(599,632)
	\$ 1,902,532	\$ 1,673,911

As of December 31, 2022, minimum future lease revenue payments under sales-type finance leases were as follows:

Years Ending December 31:	
2023	\$ 955,110
2024	1,088,553
2025	438,604
2026	269,189
2027	3,150
	\$ 2,754,606

5. Property and Equipment

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

Property and equipment consisted of the following as of December 31:

	2022	2021
Machines	\$384,352,494	\$300,696,464
Furniture and fixtures	15,081,644	14,554,941
Vehicles	2,898,255	4,257,905
	402,332,393	319,509,310
Less accumulated depreciation	(174,462,409)	(147,661,444)
Property and equipment, net	\$227,869,984	\$171,847,866

Depreciation expense related to property and equipment, including those under finance leases, recognized for the years ended December 31, 2022 and 2021, was \$33,890,500 and \$29,439,197, respectively. The Company capitalized interest expense of \$180,019 and \$144,503 during the years ended December 31, 2022 and 2021, respectively.

6. Definite-Lived Intangible Assets

Definite-lived intangible assets consisted of the following as of December 31:

	2022	2021
Patents and patents pending	\$ 7,535,441	\$ 6,948,833
Software	497,771	490,995
Intellectual property	41,790	38,898
Trademarks	871,732	869,745
	8,946,734	8,348,471
Less accumulated amortization	(1,699,993)	(1,410,115)
Intangibles, net	\$ 7,246,741	\$ 6,938,356

The weighted average amortization period of the Company's definite-lived intangible assets is approximately fifteen years. Amortization expense related to intangible assets totalled \$391,622 and \$368,446 for the years ended December 31, 2022 and 2021, respectively.

The estimated aggregate amortization expense for the next five years and thereafter is as follows:

Years Ending December 31:		Amount
2023	\$	405,910
2024		377,656
2025		374,084
2026		360,663
2027		352,884

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PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

Thereafter	5,375,544
	<u>\$ 7,246,741</u>

7. Cost Method Investment

In March of 2015, the Company entered into a Limited Liability Company Agreement with other investors in a paper mill (Paper Mill) to produce corrugated medium grade paper. The Company's initial capital contribution of \$1,000,000 resulted in an ownership interest of one-hundred Units or ten percent (10%) and has been included within the Consolidated Balance Sheets as a non-current asset.

The carrying amount of the cost method investment is \$1,000,000 as of December 31, 2022 and December 31, 2021. The fair value of the investment is not estimated as the Company has not identified any events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Moreover, in accordance with ASC 825-10-50-16 through 50-19, the Company has determined that it is not practicable to obtain a valuation to estimate the fair value of the investment, considering the materiality of the investment to the Company as a whole.

The Company has also assessed the cost method investment for other-than-temporary impairment under the provisions of ASC 320, Investments – Debt and Equity Securities, noting no required adjustments to the value as of December 31, 2022.

8. Accrued and Other Liabilities

Accrued liabilities consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Payroll liabilities	\$ 12,626,562	\$ 11,335,535
Deferred revenue	7,035,522	2,633,386
Income and other taxes payable	1,967,872	3,110,381
Other	6,769,447	4,288,377
	<u>\$ 28,399,403</u>	<u>\$ 21,367,679</u>

9. Notes Payable

Notes payable consisted of the following as of December 31:

<u>2022</u>	<u>2021</u>
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PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

<p>Note payable to an individual related directly to an officer, quarterly interest payments of \$17,603, interest rate of 8.75%. All principal and interest was due 6 months after demand. The note was paid in full during the year ended December 31, 2022.</p>	<p>\$ - \$ 804,697</p>
<p>Notes payable to an individual related directly to an officer, quarterly interest payments of \$22,314, average interest rate of 8.75%. All principal and interest is due 6 months after demand. The note is subordinated to the line of credit (see Note 11). No principal may be paid on the note while the Company carries a balance on the revolving loan.</p>	<p>1,020,046 1,101,027</p>
<p>Notes payable to a finance company, aggregate monthly principal and interest payments ranging from \$635 to \$678, interest rates at 1.90%, secured by vehicles. All were paid in full during the year ended December 31, 2022.</p>	<p>- 16,156</p>
<p>Note payable to an officer, monthly interest payments of \$1,687, with interest at 8.75%. All principal and interest was due 6 months after demand. The note was paid in full during the year ended December 31, 2022.</p>	<p>- 231,461</p>
<p>Note payable to a member of management, monthly interest payments of \$2,473, with interest at 8.75%. The note was paid in full during the year ended December 31, 2022.</p>	<p>- 339,154</p>
<p>On April 1, 2020, February 3, 2021, and April 6, 2021, the Company entered into three separate notes payable with the same third party for \$100,000 each, total quarterly interest payments of \$6,188, with interest at 8.75%. The notes were paid in full during the year ended December 31, 2022.</p>	<p>- 300,000</p>
<p>Note payable to a member of management, monthly interest payments of \$1,458, interest at 8.75%. All principal and interest was due 6 months after demand. The note was paid in full during the year ended December 31, 2022.</p>	<p>- 200,000</p>
<p>Total notes payable</p>	<p>1,020,046 2,992,495</p>
<p>Less current portion of notes payable</p>	<p>- (15,508)</p>
	<p><u>\$ 1,020,046 \$ 2,976,987</u></p>

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PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

Scheduled maturities of notes payable (which excludes balances due under the lines of credit) as of December 31, 2022, are as follows:

Years Ending December 31:	
2023	\$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	<u>1,020,046</u>
	<u>\$ 1,020,046</u>

Since the note payable cannot be paid without separate lender approval, while the Company carries a balance on the revolving loan, it is classified as noncurrent because the revolving loan agreement is not due until July 2025 and the Company does not currently intend to pay the note in 2023.

On April 5, 2020, the Company entered into a loan agreement with JPMorgan Chase as the lender under the Paycheck Protection Program of the CARES Act administered by U.S. Small Business Administration (the "SBA"), and on April 10, 2021 (the "Disbursement Date"), received a loan (the "PPP Loan") to help sustain its employee payroll costs, rent, and utilities due to the impact of the COVID-19 pandemic. Under the Paycheck Protection Program, the Company's PPP Loan and interest was fully forgivable if the Company met certain requirements and received formal approval, as defined by the CARES Act, subject to an audit by the SBA. The Company met all known requirements and obtained full forgiveness of the PPP Loan during the year ended December 31, 2021. Since the loan was intended to cover operating expenses the amount forgiven of \$5,041,857 has been recognized as part of operating expenses in the Company's statements of income and comprehensive income. It has also been shown as a gain on debt extinguishment on the statements of cash flows.

10. Financial Instruments

Derivatives

The Company's business is exposed to interest rate risk resulting from fluctuations of the variable interest rate for the Company's line of credit. Increases in the variable rate would increase interest expense relating to the line of credit and would increase the cost of debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the line of credit.

On January 25, 2018, the Company entered into a pay-fixed, receive floating, interest rate swap arrangement with an initial notional amount of \$24 million, for the period beginning January 23,

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

2018 and ending on October 11, 2022. Under the terms of the interest rate swap, the Company pays a fixed rate of 2.78% plus the applicable rate of 1.75% and receives floating Prime during the swap period. The Company has not designated this interest rate swap as a cash flow hedge.

On February 2, 2018, the Company entered into a pay-fixed, receive floating, interest rate swap arrangement with an initial notional amount of \$10 million, for the period beginning February 12, 2018 and ending on October 11, 2022. Under the terms of the interest rate swap, the Company pays a fixed rate of 2.94% plus the applicable rate of 1.75% and receives floating Prime during the swap period. The Company has not designated this interest rate swap as a cash flow hedge.

On February 2, 2018, the Company entered into a pay-fixed, receive floating, interest rate swap arrangement with an initial notional amount of \$5 million, for the period beginning February 12, 2018 and ending on October 11, 2022. Under the terms of the interest rate swap, the Company pays a fixed rate of 2.94% plus the applicable rate of 1.75% and receives floating Prime during the swap period. The Company has not designated this interest rate swap as a cash flow hedge.

On July 5, 2022, the Company entered into a pay-fixed, receive floating, interest rate swap arrangement with an initial notional amount of \$20 million, for the period beginning July 19, 2022 and ending on July 19, 2027. Under the terms of the interest rate swap, the Company pays a fixed rate of 2.7% plus the applicable rate of 1.75% and receives floating SOFR during the swap period. The Company has not designated this interest rate swap as a cash flow hedge.

On November 14, 2022, the Company entered into a pay-fixed, receive floating, interest rate swap arrangement with an initial notional amount of \$30 million, for the period beginning November 16, 2022 and ending on November 16, 2027. Under the terms of the interest rate swap, the Company pays a fixed rate of 3.86% plus the applicable rate of 1.75% and receives floating SOFR during the swap period. The Company has not designated this interest rate swap as a cash flow hedge.

On November 14, 2022, the Company entered into a pay-fixed, receive floating, interest rate swap arrangement with an initial notional amount of \$30 million, for the period beginning November 21, 2022 and ending on July 19, 2027. Under the terms of the interest rate swap, the Company pays a fixed rate of 3.87% plus the applicable rate of 1.75% and receives floating SOFR during the swap period. The Company has not designated this interest rate swap as a cash flow hedge.

At inception, the fair value of the interest rate swaps were zero. As of December 31, 2022 the fair value of the swaps were recorded as an asset of \$672,078 and a liability of \$218,899 in other long-term assets and other long-term liabilities, respectively. As of December 31, 2021 the fair value of the swaps were recorded as a liability of \$734,741 in other long-term liabilities. The change in the fair value of these interest rate swaps is recorded as a component of other expense, net in the Company's statements of income and comprehensive income. During the year ended December

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

31, 2022 the interest rate swaps increased other expense, net by \$1,187,920. During the year ended December 31, 2021 the interest rate swaps decreased other expense, net by \$1,041,967.

11. Lines of Credit

Revolving Loan

During October 2017, the Company exchanged its revolving line of credit for a line of credit with the same lenders plus one new lender, increasing the total amount available under the line of credit from \$70,000,000 to \$125,000,000 and extending the term to October 2022. In July 2020, the Company entered into an amendment that extended the term to July 2025. In January 2022, the Company entered into an amendment that increased the total amount available under the line of credit from \$125,000,000 to \$175,000,000 and changed to a variable interest rate equal to SOFR plus an applicable rate based on the Company's leverage ratio. In October 2022, the Company entered into an amendment that increased the total amount available under the line of credit from \$175,000,000 to \$225,000,000.

As of December 31, 2022 and 2021, the Company had drawn down \$165,503,058 and \$100,284,759 on the line of credit, respectively. The line of credit, which is secured by essentially all of the Company's assets, accrues interest quarterly at a variable interest rate equal to SOFR plus an applicable rate based on the Company's leverage ratio (6.17% as of December 31, 2022) and is due on July 10, 2025. As of December 31, 2022 and 2021, the balance of unamortized prepaid loan fees netted against the non current line of credit is \$600,582 and \$473,036, respectively.

Other Lines of Credit

Additionally, the Company is party to revolving loan credit facilities with lenders in both Sweden and Germany. In Germany, the Company has one distinct line of credit. The amount that can be borrowed under the line of credit is \$1,334,363 (1.25 million EUR). As of December 31, 2022 and 2021, the Company had not drawn on this line of credit. The credit is unsecured and the loan has no fixed maturity. The interest rate is 7.93% and is paid monthly.

In Sweden, the amount that can be borrowed under the line of credit is \$766,665 (8 million Swedish Krona). As of December 31, 2022 and 2021, the Company had drawn \$188,432 and \$300,547, respectively, on this line of credit which is included in lines of credit on the consolidated balance sheet. The credit is secured by the assets of the Swedish subsidiary. The loan has no fixed maturity and renews every twelve months upon review by the lending institution. The interest rate is 5.38% and is paid quarterly.

The lines of credit include a number of financial and non-financial debt covenants. Management has determined that the Company was in compliance with all financial and non-financial debt covenants as of December 31, 2022.

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

12. Income Taxes

The Company's income tax provision consists of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Current:		
State	\$ 317,436	\$ 71,869
Foreign	1,825,462	1,745,417
Total current tax expense	2,142,898	1,817,286
Deferred:		
Foreign	(218,347)	(545,730)
Change in valuation allowance	311,709	246,986
Total deferred tax expense (benefit)	93,362	(298,744)
Income tax provision	\$ 2,236,260	\$ 1,518,543

The income tax provision differs from the amount computed at federal statutory rates for the years ended December 31, 2022 and 2021 as follows:

	2022	2021
Federal income tax provision at statutory rates	\$ 4,974,136	\$ 5,224,276
Non-includible domestic income	(3,441,097)	(4,251,097)
Differences between U.S. and foreign tax rates	(195,469)	(128,947)
Current year valuation allowance movement	311,709	246,986
State taxes	317,436	71,869
Permanent and other	269,545	355,456
Income tax provision	\$ 2,236,260	\$ 1,518,543

Significant components of the Company's deferred income tax assets and (liabilities) are as follows as of December 31:

	2022	2021
Deferred income tax assets:		
Accruals and reserves	\$ 603,185	\$ 561,290
Other deferred tax assets	1,127,713	301,149
Net operating loss carryovers	2,219,132	2,385,857
Total deferred income tax assets	3,950,030	3,248,296
Valuation allowance	(2,465,627)	(2,246,789)
Net deferred income tax assets	1,484,403	1,001,507

Deferred income tax liabilities:

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

Other deferred tax liabilities	(854,997)	(377,970)
Foreign tax reserves	(1,079,171)	(1,153,475)
Depreciation	(184,348)	(207,049)
Total deferred income tax liabilities:	(2,118,516)	(1,738,494)
 Net deferred income tax liabilities	 \$ (634,113)	 \$ (736,987)

Net deferred tax assets (by jurisdiction) of \$505,931 and \$453,123 as of December 31, 2022 and 2021 are included in other long-term assets on the consolidated balance sheets.

The Company has net operating loss (NOL) carryforwards of approximately \$3,959,464 in the United Kingdom, \$655,031 in France, \$959,769 in Germany, and \$3,169,260 in Australia. The United Kingdom, Germany, France, and Australia NOL carryforwards do not expire.

The Company has determined that a valuation allowance against its deferred tax assets related to certain of these net operating loss carryforwards is necessary as of December 31, 2022 and 2021 to reduce the deferred tax assets to an amount that is more likely than not to be realized.

13. Capital Structure

The Company has authorized total membership units of 17,130,742 comprised of 13,000,000 common units and 4,130,742 preferred units. Of the 13,000,000 authorized common units, 12,000,000 represent common units authorized in the initial formation of Packsize International, LLC on May 21, 2009, with each unit holder having one vote per common unit on all matters to be voted on. There are no liquidation, dividend, or conversion preferences associated with the voting common units. As of December 31, 2022, there were 7,555,000 voting common units outstanding.

During the year ended December 31, 2010, the Company issued 47,260 common units to members of management. These common units are nonvoting, and there are no liquidation, dividend, or conversion preferences associated with the nonvoting common units. These nonvoting common units are included in the 12,000,000 authorized common units as discussed above, except that the Company determined these shares would not have voting rights. As of December 31, 2022, there were 43,479 of nonvoting common units outstanding.

The remaining 1,000,000 authorized common units represent profits interest compensatory units which may be issued to key members of management for services provided on behalf of the Company. Profits interest compensatory units are nonvoting and vest over a requisite service period of four to five years (see Note 14). There are no liquidation, dividend, or conversion preferences associated with the profits interest compensatory units. As of December 31, 2022 and 2021, there were 526,079 and 532,329, respectively, fully vested profits interest compensatory units outstanding.

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

In total, there were 8,124,558 and 8,130,808 common units (comprised of voting common units, nonvoting common units, and nonvoting profits interest compensatory units) outstanding as of December 31, 2022 and 2021, respectively.

The 4,130,742 preferred units are comprised of 2,320,000 designated as Series A preferred units, 241,744 designated as Series B preferred units, and 1,568,998 designated as Series C preferred units. All of the Series B preferred units have been redeemed by the Company and retired. As of December 31, 2022, there were 2,243,093 Series A, 0 Series B, and 1,568,998 Series C preferred units outstanding, respectively.

The holders of the Series A and Series C preferred units are entitled to votes equal to the number of common units into which the member's aggregate number of preferred units are convertible. Each Series A and Series C preferred unit is convertible at the option of the holder into common units determined by dividing the original issue price of the preferred unit by the conversion price of \$3.20 and \$5.29 for Series A and Series C preferred units, respectively.

In addition, each preferred unit shall be automatically converted into common units immediately prior to the closing of a firm commitment underwritten initial public offering provided that the offering pricing per share is not less than \$3.17 and the aggregate gross proceeds to the Company are not less than \$30,000,000. The conversion price of the preferred units is subject to adjustment under certain circumstances.

Upon liquidation, dissolution or winding up of the Company, holders of the Series A and Series C preferred units are entitled to a liquidation preference of \$3.20 and \$5.29 per preferred unit, respectively. The liquidation preference price is subject to adjustment for recapitalizations.

14. Unit-based Compensation

As discussed in Note 13 above, the Company issues profits interest compensatory units to certain key members of management for services provided on behalf of the Company. Profits interest compensatory units are nonvoting and vest over a requisite service period of four to five years. As the units vest, the Company records compensation expense. Profits interest compensatory units are granted with their fair value estimated on the date of grant using the Black-Scholes option-pricing model.

The following illustrates the assumptions for the Black-Scholes model used in determining the fair value of the units granted during 2020. There were no units issued during 2021 or 2022:

Risk-free interest rate	0.28%
Expected unit price volatility	58.49%
Expected dividend yield	0%
Expected terms (in years)	4

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

A summary of the status of the Company's profits interest compensatory units as of December 31, 2022 and 2021, and changes during the years ended December 31, 2022 and 2021, is presented below:

	Profits Interest Units (In thousands)	Weighted Average Grant Date Fair Value (Per unit)
Outstanding at December 31, 2020	638	\$3.61
Granted	-	-
Forfeited	-	-
Repurchased by the Company	90	\$4.21
Outstanding at December 31, 2021	548	\$3.51
Granted	-	-
Forfeited	-	-
Repurchased by the Company	20	\$3.40
Outstanding at December 31, 2022	528	\$3.51

The Company has authorized up to 1,000,000 profits interest compensatory units to be issued. As of December 31, 2022, there were 528,579 profits interest compensatory units issued, 526,079 of which are fully vested and outstanding. The fair value of the original units granted and outstanding was estimated to be \$3,707,472 on the dates of grant. Due to the lack of company-specific historical and implied volatility data, the Company has based its estimates of expected volatility on a group of similar publicly-traded companies.

The total fair value of units vested, representing 13,750 units, during the year ended December 31, 2022 was \$64,538. The total fair value of units vested, representing 18,250 units, during the year ended December 31, 2021 was \$86,318. The amount expensed during the years ended December 31, 2022 and 2021 was \$30,604 and \$79,058, respectively and is included in operating expenses on the Company's statements of income.

The remaining units will be expensed straight-line over the vesting period through 2024 as follows:

Years Ending December 31:			
2023		\$	4,638
2024			3,092
Total		\$	7,730

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

15. Commitments and Contingencies

Operating Leases

The Company leases various facilities and equipment under operating lease agreements. These operating lease agreements often contain renewal options that are included as part of the noncancelable period if the option is reasonably certain (or not) to be exercised. In addition, many of the rental agreements provide for regular increases to the base rental rate at specified intervals, which usually occur on an annual basis. The Company recognizes lease costs on a straight-line basis over the life of the lease agreement. The Company's lease agreements do not contain any material terms and conditions of residual value guarantees or material restrictive covenants.

The impact of the changes made to our consolidated balance sheet as of December 31, 2022, as a result of the adoption of Topic 842 include the recognition of the ROU assets and lease liabilities for operating leases. Additionally, upon adoption on January 1, 2022, there was a reversal of prepaid rent and deferred rent of \$266,715 and \$273,965, respectively. During the 12 months ended December 31, 2022, the Company acquired \$2,180,099 of new operating leases primarily consisting of buildings, vehicles, and equipment.

Lease costs included in operating expenses on the consolidated statement of income are as follows for the year ended December 31:

	<u>2022</u>
Operating lease costs	\$ 2,891,050
Finance lease costs:	
Amortization of right of use assets	280,525
Interest on lease liabilities	29,075
Total finance lease costs	<u>\$ 309,600</u>
Variable lease costs	746,360
Short-term lease costs	44,682
Total lease costs	<u>\$ 3,991,692</u>

Weighted average lease term and discount rate for operating leases are as follows:

	<u>2022</u>
Weighted average remaining lease term	3.87 years
Weighted average discount rate	3.06%

Maturities of operating lease liabilities as of December 31, 2022, are as follows:

PACKSIZE INTERNATIONAL, LLC

Notes to Consolidated Financial Statements (continued)

Years Ending December 31:	
2023	\$ 2,761,190
2024	2,082,372
2025	1,850,609
2026	1,671,044
2027	552,574
Thereafter	25,403
Total undiscounted lease payments	<u>8,943,192</u>
Less: Present value adjustment for minimum lease commitments	(543,836)
Net lease liabilities	<u>\$ 8,399,356</u>

Supplemental cash flow information related to operating leases are as follows:

	<u>2022</u>
Cash paid for amounts included in the measurement of operating lease liabilities:	
Cash paid for operating leases included in operating activities	\$ 2,894,609

Finance Leases

Finance lease obligations consist primarily of vehicle and equipment leases with periods expiring at various dates through 2029. Finance lease obligations were \$747,983 and \$244,869 at December 31, 2022 and 2021, respectively. The Company acquired \$681,066 and \$64,652 of new finance leases at December 31, 2022 and 2021, respectively primarily consisting of vehicles and equipment.

The following table presents assets subject to finance lease which are included in property and equipment as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 993,732	\$ 865,308
Equipment	108,637	657,760
	<u>1,102,369</u>	<u>1,523,068</u>
Less accumulated depreciation	(324,220)	(1,149,649)
Property and equipment, net	<u>\$ 778,149</u>	<u>\$ 373,419</u>

Weighted average lease term and discount rate for finance leases are as follows:

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Notes to Consolidated Financial Statements (continued)

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	2022
Weighted average remaining lease term	4.36 years
Weighted average discount rate	7.74%

Maturities of finance lease liabilities as of December 31, 2022, are as follows:

Years Ending December 31:		
2023	\$	204,727
2024		186,143
2025		183,545
2026		127,416
2027		53,425
Thereafter		70,166
Total undiscounted lease payments		825,422
Less: Present value adjustment for minimum lease commitments		(77,438)
Net lease liabilities	\$	747,984

Supplemental cash flow information related to finance leases are as follows:

		2022
Cash paid for amounts included in the measurement of finance lease liabilities:		
Cash paid for finance leases included in operating activities	\$	29,075
Cash paid for finance leases included in financing activities	\$	263,066

Unit Appreciation Rights

As of January 1, 2019, the Company adopted a Unit Appreciation Rights Plan (the Plan) to provide incentive compensation to select employees. Through the Plan the Company can award unit appreciation rights (UARs) to reward and provide additional incentive to valued employees. Awards of UARs under the Plan are essentially a promise by the Company to pay cash in the future, contingent on certain payment events occurring and at the Company's discretion, in an amount that corresponds with the appreciation or value of a predesignated number of Common Units. The award agreement associated with an award of UARs may also impose a vesting schedule, which requires continued employment for a specified period of time, before the individual is able to fully benefit from the UARs. The maximum number of Unit Appreciation Rights that may be awarded under this Plan will not exceed 500,000. If any UARs awarded under this Plan are forfeited or cancelled, such UARs may again be awarded under this Plan.

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Notes to Consolidated Financial Statements (continued)

During the years ended December 31, 2022 and 2021, 202,700 and 227,700, respectively, of these units have been awarded. The Company has determined that as of December 31, 2022, no grant date exists for these awards due to the lack of mutuality of understanding regarding when the awards would be paid. Therefore, no liability or expense has been recognized in the consolidated financial statements.

Volume Commitments

An agreement reached in 2019 with the Company's primary corrugated supplier requires a certain volume commitment be reached and maintained each time a new corrugated plant is built. This commitment is only applicable to each new plant individually. As of December 31, 2022, there is only one plant that this is applicable to. The Company has maintained the required volume and believes it will continue to do so based on current business conditions.

Legal Matters

The Company is subject to investigations, claims or lawsuits arising out of the conduct of its business. As of December 31, 2022, the Company accrued \$1,750,000 related to a potential legal settlement. Management is not aware of any other contingencies which it believes will have a material effect on its financial position, results of operations or liquidity.

16. Related-Party Transactions

As of December 31, 2022 and 2021, the Company had notes payable to members of management and immediate family members of management (see Note 9). Interest on these notes is paid on a monthly, quarterly or semi-annual basis. Total accrued interest payable related to these notes as of December 31, 2022 and 2021 was \$16,152 and \$34,881, respectively.

The Company entered into a lease agreement with a related party on January 1, 2017 for commercial office and warehouse space. The lease term of ten years began on the rent commencement date of April 1, 2017 with annual rent payments totalling \$606,234.

17. Employee Retirement Plan

The Company has a 401(k) defined contribution plan which permits participating employees to defer a portion of their compensation, subject to limitations established by the Internal Revenue Code. The Company matches 100% of the first 3% and 50% of the second 2% of each qualified participant's contributions to the plan subject to IRS limits. During the years ended December 31, 2022 and 2021, the Company contributed \$1,799,223 and \$1,006,354 in matching contributions, respectively.

18. Long Term Incentive Plan

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Notes to Consolidated Financial Statements (continued)

In May 2021, the board approved a new long term incentive plan (LTIP). Under the LTIP, certain executives of the Company receive cash bonuses after meeting certain performance targets. For the years ended December 31, 2022 and 2021, the Company recorded \$3,266,582 and \$4,516,184 in operating expenses related to this plan, respectively.

19. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through May 8, 2023, which is the day the financial statements were available to be issued.

On February 8, 2023, the Company entered into a pay-fixed, receive floating, interest rate swap arrangement with an initial notional amount of \$30 million, for the period beginning February 16, 2023 and ending on November 16, 2027. Under the terms of the interest rate swap, the Company pays a fixed rate of 3.73% plus the applicable rate of 1.75% and receives floating SOFR during the swap period.

On February 8, 2023, the Company entered into a pay-fixed, receive floating, interest rate swap arrangement with an initial notional amount of \$10 million, for the period beginning February 21, 2023 and ending on July 19, 2027. Under the terms of the interest rate swap, the Company pays a fixed rate of 3.75% plus the applicable rate of 1.75% and receives floating SOFR during the swap period.

In March 2023, the Company paid out \$5,000,000 in distributions to members.