

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2021 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2021 or fiscal plan year beginning <u>01/01/2021</u> and ending <u>12/31/2021</u>	
A This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____
B This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)
E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here.	☐

Part II	Basic Plan Information—enter all requested information										
1a Name of plan <u>STATE INDUSTRIAL PRODUCTS SAVINGS AND INVESTMENT PLAN AND TRUST</u> 2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>STATE INDUSTRIAL PRODUCTS</u> <u>5915 LANDERBROOK DRIVE</u> <u>SUITE 300</u> <u>MAYFIELD HEIGHTS, OH 44124</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/01/1989</u></td> </tr> <tr> <td colspan="2">2b Employer Identification Number (EIN) <u>34-0552740</u></td> </tr> <tr> <td colspan="2">2c Plan Sponsor's telephone number <u>440-565-5555</u></td> </tr> <tr> <td colspan="2">2d Business code (see instructions) <u>325600</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>01/01/1989</u>		2b Employer Identification Number (EIN) <u>34-0552740</u>		2c Plan Sponsor's telephone number <u>440-565-5555</u>		2d Business code (see instructions) <u>325600</u>	
1b Three-digit plan number (PN) ▶	<u>001</u>										
1c Effective date of plan <u>01/01/1989</u>											
2b Employer Identification Number (EIN) <u>34-0552740</u>											
2c Plan Sponsor's telephone number <u>440-565-5555</u>											
2d Business code (see instructions) <u>325600</u>											

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/17/2022	WILLIAM SANDSTROM
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2021)
v. 210624

3a Plan administrator's name and address ☒ Same as Plan Sponsor		3b Administrator's EIN	
		3c Administrator's telephone number	
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name		4b EIN 4d PN	
5 Total number of participants at the beginning of the plan year		5	801
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).			
a(1) Total number of active participants at the beginning of the plan year.....		6a(1)	576
a(2) Total number of active participants at the end of the plan year		6a(2)	513
b Retired or separated participants receiving benefits.....		6b	12
c Other retired or separated participants entitled to future benefits		6c	257
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d	782
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e	5
f Total. Add lines 6d and 6e		6f	787
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)		6g	772
h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested		6h	118
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....		7	
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2J 2K 2S 2T 3D			
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:			
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor		9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)			
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)	

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2021 Form M-1 annual report. If the plan was not required to file the 2021 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2021
		This Form is Open to Public Inspection.
For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021		
A Name of plan STATE INDUSTRIAL PRODUCTS SAVINGS AND INVESTMENT PLAN AND TRUST	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 STATE INDUSTRIAL PRODUCTS	D Employer Identification Number (EIN) 34-0552740	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No
- b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
THE VANGUARD GROUP, INC.
23-1945930

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

HIGHLAND CONSULTING

34-1753575

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
16	NONE	50726	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

THE VANGUARD GROUP, INC.

23-1945930

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 16 25 37 38 52 99	NONE	38470	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

VANGUARD ADVISERS INC.

23-2811930

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
26	NONE	11045	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
THE VANGUARD GROUP, INC.	99	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
METROPOLITAN WEST ASSET MANAGEMENT, 95-4597302	14 BPS	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
THE VANGUARD GROUP, INC.	99	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
ARTISAN PARTNERS 30-0551775	7 BPS	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE D (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration	DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection.
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For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021

A Name of plan <u>STATE INDUSTRIAL PRODUCTS SAVINGS AND INVESTMENT PLAN AND TRUST</u>	B Three-digit plan number (PN) ►	<u>001</u>
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 <u>STATE INDUSTRIAL PRODUCTS</u>	D Employer Identification Number (EIN) <u>34-0552740</u>	

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: VANGUARD RETIREMENT SAVINGS TRUST

b Name of sponsor of entity listed in (a): VANGUARD FIDUCIARY TRUST COMPANY

c EIN-PN <u>45-5436422-022</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>6265134</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection
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For calendar plan year 2021 or fiscal plan year beginning <u>01/01/2021</u> and ending <u>12/31/2021</u>		
A Name of plan <u>STATE INDUSTRIAL PRODUCTS SAVINGS AND INVESTMENT PLAN AND TRUST</u>	B Three-digit plan number (PN) ►	<u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>STATE INDUSTRIAL PRODUCTS</u>	D Employer Identification Number (EIN) <u>34-0552740</u>	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	34390	33318
(2) Participant contributions.....	1b(2)	105029	112179
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	698219	695543
(9) Value of interest in common/collective trusts	1c(9)	7276141	6265134
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	69477293	80716978
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other.....	1c(15)		

		(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:		
(1)	Employer securities.....	1d(1)	
(2)	Employer real property.....	1d(2)	
e	Buildings and other property used in plan operation	1e	
f	Total assets (add all amounts in lines 1a through 1e)	1f	77591072 87823152
Liabilities			
g	Benefit claims payable	1g	
h	Operating payables	1h	
i	Acquisition indebtedness.....	1i	
j	Other liabilities.....	1j	
k	Total liabilities (add all amounts in lines 1g through 1j)	1k	0 0
Net Assets			
l	Net assets (subtract line 1k from line 1f).....	1l	77591072 87823152

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

		(a) Amount	(b) Total
Income			
a	Contributions:		
(1)	Received or receivable in cash from: (A) Employers	2a(1)(A)	886844
	(B) Participants	2a(1)(B)	3176285
	(C) Others (including rollovers).....	2a(1)(C)	278180
(2)	Noncash contributions.....	2a(2)	
(3)	Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)	4341309
b	Earnings on investments:		
(1)	Interest:		
	(A) Interest-bearing cash (including money market accounts and certificates of deposit).....	2b(1)(A)	
	(B) U.S. Government securities	2b(1)(B)	
	(C) Corporate debt instruments	2b(1)(C)	
	(D) Loans (other than to participants)	2b(1)(D)	
	(E) Participant loans.....	2b(1)(E)	34845
	(F) Other	2b(1)(F)	
	(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)	34845
(2)	Dividends: (A) Preferred stock.....	2b(2)(A)	
	(B) Common stock	2b(2)(B)	
	(C) Registered investment company shares (e.g. mutual funds).....	2b(2)(C)	7603373
	(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)	7603373
(3)	Rents	2b(3)	
(4)	Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	
	(B) Aggregate carrying amount (see instructions).....	2b(4)(B)	
	(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)	0
(5)	Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	
	(B) Other	2b(5)(B)	
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)	0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		81240
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts.....	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		3533272
c Other income.....	2c		9496
d Total income. Add all income amounts in column (b) and enter total.....	2d		15603535
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	5262617	
(2) To insurance carriers for the provision of benefits.....	2e(2)		
(3) Other.....	2e(3)	9867	
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		5272484
f Corrective distributions (see instructions).....	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees.....	2i(1)		
(2) Contract administrator fees.....	2i(2)		
(3) Investment advisory and management fees.....	2i(3)		
(4) Other.....	2i(4)	98971	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		98971
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		5371455
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d.....	2k		10232080
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan.....	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: MEADEN & MOORE, LTD

(2) EIN: 34-1818258

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

	Yes	No	Amount
4a		X	

	Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)			
4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)			
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)			
4d		X	
e Was this plan covered by a fidelity bond?	X		1000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)			
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k		X	
l Has the plan failed to provide any benefit when due under the plan?			
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			
5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?..... ☐ Yes ☒ No If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.			
5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)			
5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)	
5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.			

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection.
---	--	---

For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021

A Name of plan STATE INDUSTRIAL PRODUCTS SAVINGS AND INVESTMENT PLAN AND TRUST	B Three-digit plan number (PN) ► 001
C Plan sponsor's name as shown on line 2a of Form 5500 STATE INDUSTRIAL PRODUCTS	D Employer Identification Number (EIN) 34-0552740

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 23-2186884	
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.	
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
----------------	---

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
--	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2021
v. 201209

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:

a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment).....

14a

b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....

14b

c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....

14c

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year.....

15a

b The corresponding number for the second preceding plan year.....

15b

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year.....

16a

b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....

16b

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

a Enter the percentage of plan assets held as:

Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate line 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

- 20 PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation _____

STATE INDUSTRIAL PRODUCTS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2021

INDEX

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
State Industrial Products Corporation
Mayfield Heights, Ohio

Opinion

We have audited the consolidated financial statements of State Industrial Products Corporation, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of State Industrial Products Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 State Industrial Products Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about State Industrial Products Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Meaden & Moore, Ltd.

1375 East Ninth Street, Suite 1800 | Cleveland, OH 44114-1790 | P (216) 241-3272 | F (216) 771-4511 | meadenmoore.com

AKRON | BEACHWOOD | CLEVELAND | COLUMBUS | WOOSTER

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 State Industrial Products Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about State Industrial Products Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in blue ink that reads "Meaden & Moore Ltd." in a cursive, flowing script.

Meaden & Moore, Ltd.
Cleveland, Ohio

May 20, 2022

CONSOLIDATED BALANCE SHEET
(in thousands)

State Industrial Products Corporation

	December 31	
	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,226	\$ 18,722
Investments	10,384	9,873
Accounts receivable - trade	12,676	13,850
Inventory	10,613	11,327
Prepays and other current assets	<u>4,653</u>	<u>3,176</u>
 Total Current Assets	 55,552	 56,948
 PROPERTY AND EQUIPMENT:		
Property and equipment	57,367	55,857
Less: Allowance for depreciation	<u>49,975</u>	<u>48,157</u>
 Total Property and Equipment	 7,392	 7,700
 OTHER ASSETS:		
Goodwill - net of amortization	495	743
Other intangible assets - net of amortization	2	280
Investments	-	500
Other assets	<u>4,115</u>	<u>4,185</u>
 Total Other Assets	 <u>4,612</u>	 <u>5,708</u>
 Total Assets	 <u><u>\$ 67,556</u></u>	 <u><u>\$ 70,356</u></u>

See accompanying notes.

	December 31	
	<u>2021</u>	<u>2020</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,814	\$ 3,328
Accrued expenses	<u>8,577</u>	<u>10,400</u>
Total Current Liabilities	11,391	13,728
OTHER LONG-TERM LIABILITIES		
	<u>29</u>	<u>29</u>
Total Liabilities	11,420	13,757
SHAREHOLDERS' EQUITY:		
Common stock	36	36
Additional paid-in capital	246	246
Retained earnings	69,149	69,647
Other comprehensive loss - foreign currency translation	<u>(336)</u>	<u>(371)</u>
	69,095	69,558
Less: Treasury stock stated at cost	<u>12,959</u>	<u>12,959</u>
Total Shareholders' Equity	<u>56,136</u>	<u>56,599</u>
Total Liabilities and Shareholders' Equity	<u>\$ 67,556</u>	<u>\$ 70,356</u>

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)

State Industrial Products Corporation

Year Ended December 31, 2021 and 2020

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
Balance - January 1, 2020	\$ 36	\$ 246	\$ 65,300	\$ (418)	\$ (12,959)	\$ 52,205
Consolidated Net Income	-	-	9,723	-	-	9,723
Other Comprehensive Income (Loss)	-	-	-	47	-	47
Distributions	-	-	(5,376)	-	-	(5,376)
Balance - December 31, 2020	36	246	69,647	(371)	(12,959)	56,599
Consolidated Net Income	-	-	3,596	-	-	3,596
Other Comprehensive Income (Loss)	-	-	-	35	-	35
Distributions	-	-	(4,094)	-	-	(4,094)
Balance - December 31, 2021	<u>\$ 36</u>	<u>\$ 246</u>	<u>\$ 69,149</u>	<u>\$ (336)</u>	<u>\$ (12,959)</u>	<u>\$ 56,136</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands)

State Industrial Products Corporation

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
Net sales	\$ 131,112	\$ 141,244
Cost of sales	<u>58,959</u>	<u>58,199</u>
Gross Profit	72,153	83,045
Selling, general and administrative expenses	<u>67,839</u>	<u>73,060</u>
Income from Operations	4,314	9,985
Other Income (Expense):		
Interest income (expense) - net	99	162
Other income (expense)	(251)	319
Net gain (loss) on sales or disposals of fixed assets	<u>(88)</u>	<u>33</u>
Total Other Income	<u>(240)</u>	<u>514</u>
Income before Provision for Foreign Income Taxes	4,074	10,499
Provision for Foreign Income Taxes	<u>478</u>	<u>776</u>
Consolidated Net Income	<u>\$ 3,596</u>	<u>\$ 9,723</u>
Consolidated Comprehensive Income:		
Consolidated Net Income	\$ 3,596	\$ 9,723
Other Comprehensive Income (Loss):		
Foreign currency translation adjustment	<u>35</u>	<u>47</u>
Consolidated Comprehensive Income	<u>\$ 3,631</u>	<u>\$ 9,770</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

State Industrial Products Corporation

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 132,035	\$ 141,215
Cash paid to suppliers and employees	(127,050)	(128,576)
Interest received - net	99	162
Income taxes paid	<u>(988)</u>	<u>(276)</u>
Cash Provided by Operating Activities	4,096	12,525
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of fixed assets	108	90
Proceeds from sale of investments	2,750	7,583
Capital expenditures	(2,246)	(1,431)
Purchase of investments	(2,761)	(7,123)
Decrease in other assets	<u>614</u>	<u>832</u>
Cash Used in Investing Activities	(1,535)	(49)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions paid	<u>(4,094)</u>	<u>(5,376)</u>
Effect of Exchange Rate Changes on Cash	<u>37</u>	<u>49</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,496)	7,149
Cash and Cash Equivalents - Beginning of the Year	<u>18,722</u>	<u>11,573</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 17,226</u>	<u>\$ 18,722</u>

See accompanying notes.

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Consolidated Net Income	\$ 3,596	\$ 9,723
Adjustments to Reconcile Net Income to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	2,356	2,569
Amortization	526	547
Net gain on sales or disposals of fixed assets	88	(33)
Increase (Decrease) in Cash from Changes in:		
Accounts receivable	1,174	(348)
Inventory	714	(4,900)
Prepaid expenses and other current assets	(2,021)	(907)
Accounts payable	(514)	1,579
Accrued expenses and other long term liabilities	<u>(1,823)</u>	<u>4,295</u>
Total Adjustments	<u>500</u>	<u>2,802</u>
Cash Provided by Operating Activities	<u>\$ 4,096</u>	<u>\$ 12,525</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies

Description of Business:

State Industrial Products Corporation (the “Company”) is comprised of four divisions – State Chemical Manufacturing Company, State Cleaning Solutions, Neutron Industries, and State Contract Manufacturing. The Company has operations in the United States, Canada and Puerto Rico.

State Chemical Manufacturing Company (State Chemical) accounts for approximately 57% and 59% of the Company’s 2021 and 2020 sales, respectively. State Chemical markets specialty maintenance chemicals to industrial, governmental, and institutional customers.

State Cleaning Solutions provides ware washing and laundry chemical products, machinery and equipment, and services to restaurant, hospitality, and healthcare markets and accounts for approximately 14% and 13% of the Company’s 2021 and 2020 sales, respectively.

Neutron Industries is a supplier of commercial disinfectants, cleaning, air care and specialty chemical products and accounts for approximately 6% and 8% of the Company’s 2021 and 2020 sales, respectively.

State Contract Manufacturing provides custom and specialty chemical manufacturing, blending, and packaging and accounts for approximately 23% and 20% of the Company’s 2021 and 2020 sales, respectively. Substantially all of this divisional revenue was derived from one customer.

Principles of Consolidation:

The consolidated financial statements include the accounts of State Industrial Products Corporation and its wholly owned subsidiaries. Significant intercompany balances and transactions have been eliminated.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Revenue Recognition:

The Company recognizes revenue under ASC 606, “*Revenue from Contracts with Customers*”. The core principle of the revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company applies the following standards and recognizes revenue when (1) it has a firm contract and the parties are committed to perform their respective obligations, (2) the product has been shipped to and accepted by the customer or the service has been provided, (3) the sales price is fixed or determinable and (4) amounts are reasonably assured of collection, including the consideration of the customer’s ability and intention to pay when the amount is due. The Company primarily receives fixed consideration for sales of product and for providing maintenance program services. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year. Shipping and handling amounts paid by customers are included in revenue. Sales tax and other similar taxes are excluded from revenue.

Variable Consideration:

Revenue is recorded net of provisions for discounts, which are typically agreed to upfront with the customer and do not represent variable consideration. The Company estimates these discounts in the same period that the revenue is recognized for products sales to customers. The amount of revenue recognized represents the amount that will not be subject to a significant future reversal of revenue. All sales to customers are generally final. In limited instances, the Company may accept returned product due to quality issues and the Company would have variable consideration. The Company does provide an allowance for returns which is included in accrued expenses. To date, returns have not been material.

Performance Obligations – Products Sale, Rent and Non-Contract Services:

The Company’s performance obligations are satisfied at the point in time when products are shipped or when the service is completed. Therefore, the Company’s product sales and other services have a single performance obligation.

Performance Obligations – Program Service Maintenance Agreements and Deferred Revenue:

The Company offers maintenance agreements which include the cost of the products under contract durations that are typically less than one year. These contracts are treated as a separate performance obligation in which revenues are recognized over time (on a straight-line basis) as the customers simultaneously receive and consume benefits. Fees for these services are typically paid upfront by the customer on a monthly, quarterly or annual basis and are recorded as deferred revenue which is recognized into income on a straight-line basis over the contract term. The deferred revenue balance at December 31 totaled \$1,151 (2021) and \$938 (2020) and is included in accrued expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued:

Disaggregation of Revenue:

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time	\$ 118,639	\$ 130,638
Performance obligations satisfied over time	<u>12,473</u>	<u>10,606</u>
	<u>\$ 131,112</u>	<u>\$ 141,244</u>

Cash and Cash Equivalents:

For the purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At times during the year, the Company maintained funds on deposit at its banks in excess of FDIC insurance limits.

At December 31, the Company held foreign cash balances of \$5,702 (2021) and \$10,134 (2020).

Fair Value of Financial Instruments:

FASB ASC 825, "Financial Instruments" requires that the Company disclose estimated fair values of financial instruments. Financial instruments held by the Company include, among others, accounts receivable, accounts payable and long-term debt. The carrying amounts reported in the balance sheets for assets and liabilities qualifying as financial instruments are a reasonable estimate of fair value.

Accounts Receivable and Concentrations of Credit Risk:

Concentrations of credit risk with respect to accounts receivable are generally limited due to the wide range of geographic areas and industries served by the Company and, except for the State Contract Manufacturing customer, the large number of individually insignificant customers constituting the Company's customer base. The Company normally does not require collateral from its customers.

Trade accounts receivable are stated at the amount management expects to collect from the balances outstanding at year end. The Company reserves for doubtful accounts based on a variety of factors including length of time the receivables are past due and historical experience.

Accounts receivable are net of allowance for doubtful accounts of \$720 (2021) and \$976 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Inventories:

Inventories are stated at the lower of cost or net realizable value. For State Chemical Manufacturing Company (the United States and Puerto Rico operations), Neutron Industries, and State Cleaning Solutions cost is determined using the last-in, first-out (LIFO) method. Inventory cost determined using LIFO represents 77% and 80% of inventories in 2021 and 2020, respectively. For all remaining locations, inventory cost is determined using the first-in, first-out (FIFO) method.

During 2021, inventory quantities were reduced for some divisions using LIFO. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2021 purchases, the effect of which decreased cost of goods sold by approximately \$45 and increased net income by approximately \$45 in 2021.

Components of inventories at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Raw materials and component parts	\$ 5,569	\$ 5,555
Work-in-process and finished goods	9,399	9,607
LIFO Reserve	<u>(4,355)</u>	<u>(3,835)</u>
	<u>\$ 10,613</u>	<u>\$ 11,327</u>

Inventories are net of allowance for slow-moving or obsolete items of \$947 (2021) and \$345 (2020).

At December 31, inventory located outside the United States, in Canada and Puerto Rico, totaled \$419 (2021) and \$516 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Property and Equipment:

Properties are carried at cost. Expenditures for maintenance and repairs are charged to income as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation of properties sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's earnings. The components of property and equipment are as follows:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 641	\$ 641
Buildings and improvements	8,166	8,130
Equipment and furniture and fixtures	37,245	35,731
Capitalized software	10,991	10,624
Construction in progress	<u>324</u>	<u>731</u>
	<u>\$ 57,367</u>	<u>\$ 55,857</u>
Depreciation Expense (including Capital Leases)	<u>\$ 2,356</u>	<u>\$ 2,569</u>

The Company primarily follows the straight-line method of depreciation over the estimated useful lives of the related assets utilizing the following lives:

<u>Class</u>	<u>Years</u>
Buildings and improvements	7 - 30
Equipment and furniture and fixtures	3 - 10
Capitalized software	3 - 5

The Company assesses the recoverability of its property and equipment by determining whether the depreciation of the assets over their remaining lives can be recovered through projected future cash flows generated by the assets. There were no assets identified for impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Revenue-Producing Equipment:

State Cleaning Solutions leases equipment to customers under long-term operating lease agreements expiring through 2026. Revenue under these leasing agreements is recognized on a monthly basis. Net sales generated from leases of revenue-producing equipment were approximately \$8,424 and \$5,511 for the years ended December 31, 2021 and 2020, respectively. Depreciation on revenue-producing equipment is provided over the revenue-producing lives of the assets and totaled approximately \$642 and \$721 for the years ended December 31, 2021 and 2020, respectively.

The following is a summary of the revenue-producing assets, which are included in “*property and equipment*” on the consolidated balance sheet, held for lease at December 31:

	<u>2021</u>	<u>2020</u>
Cost of revenue producing equipment	\$ 12,329	\$ 12,527
Accumulated depreciation or amortization	<u>(11,455)</u>	<u>(11,176)</u>
Net Book Value	<u>\$ 874</u>	<u>\$ 1,351</u>

The anticipated fixed portion of future rentals to be received on leases with customers are as follows:

2022	\$ 7,172
2023	5,004
2024	3,257
2025	1,820
2026	<u>607</u>
Total	<u>\$ 17,860</u>

Goodwill:

The recorded amounts of goodwill from prior business combinations are based on management’s best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. The Company had elected to apply the private company accounting alternative for goodwill as developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period and assessed for impairment only when triggering events occur. No goodwill impairment losses were recognized during 2021 and 2020. The Company has elected to test goodwill for impairment at the entity wide level.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Goodwill, Continued:

The change in the net carrying amount of goodwill for the year is as follows:

	<u>2021</u>	<u>2020</u>
Gross value of goodwill	\$ 2,475	\$ 2,475
Accumulated amortization	<u>1,980</u>	<u>1,732</u>
Net book value	<u>\$ 495</u>	<u>\$ 743</u>

Amortization expense related to goodwill was \$248 (2021) and \$247 (2020) and is expected to approximate \$248 for the next 2 years.

Other Intangible Assets:

Purchased intangible assets with finite lives are primarily amortized using the straight-line method over the estimated economic lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

Description	Life	<u>2021</u>		<u>2020</u>	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology	10	\$ 17	\$ 17	\$ 17	\$ 17
Formulas	10	614	614	614	614
Noncompete	5	264	264	264	264
Customer relationships	3-10	4,462	4,460	4,462	4,182
Trade names	5	<u>123</u>	<u>123</u>	<u>123</u>	<u>123</u>
Total		<u>\$ 5,480</u>	<u>\$ 5,478</u>	<u>\$ 5,480</u>	<u>\$ 5,200</u>
Net book value		<u>\$ 2</u>		<u>\$ 280</u>	

Amortization expense related to other intangible assets was \$278 (2021) and \$300 (2020) and is expected to approximate \$2 in 2022.

Marketing Costs:

The Company participates in various advertising and marketing programs which includes providing product samples. All costs related to marketing and advertising the Company's products are expensed in the period incurred. Marketing costs charged to operations was \$988 (2021) and \$927 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Income Taxes:

Effective January 1, 1997, the stockholders of the Company elected to be taxed as a Subchapter S Corporation under the Internal Revenue Code and the respective state codes. As an S Corporation, the United States taxable income or loss of the Company is included in the taxable income of the Company's stockholders and no United States federal income taxes are recorded by the Company. The Company is subject to certain foreign, state, and local income taxes.

Undistributed Pre-S Corporation retained earnings of the Company totaled \$30,354 at both December 31, 2021 and 2020.

Accounting for Uncertainty in Income Taxes:

The provisions of "*Accounting for Uncertainty in Income Taxes*" prescribe a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties accrued related to unrecognized tax uncertainties in income tax expense, if any. The Company files income tax returns in the United States, Canada and Puerto Rico.

Corporate Distribution Policy:

Management intends to distribute cash to its shareholders to cover the tax effect of taxable income passed through to the individual level. Distributions in excess of the tax effect are at the discretion of management.

Other Comprehensive Income (Loss) - Foreign Currency Translation:

Accumulated other comprehensive income (loss) at December 31, 2021 and 2020 consisted of foreign currency translation adjustments. The functional currency for the Company's Canadian subsidiary is the Canadian dollar. Financial statements for this subsidiary are translated into United States dollars at year-end exchange rates as to assets and liabilities and weighted-average exchange rates as to revenue and expenses. The resulting translation adjustments are recorded in accumulated other comprehensive income (loss) in shareholders' equity.

Foreign currency transaction gains or (losses) are recorded net on the income statement in "*other income*" there were losses of \$299 for 2021 and gains of \$274 for 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Subsequent Events:

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through May 20, 2022, which is the date the consolidated financial statements were available to be issued.

Impact of Recently Issued Standards:

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2022. The Company is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

2 Investments

During 2021 and 2020, the Company purchased investments in fixed income securities whereby the Company has both the positive intent and ability to hold to maturity. Therefore, these investments are classified as “*held to maturity*” and are recorded at cost.

The Company's investments consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market - U.S.				
Treasuries Fund	\$ 500	\$ 500	\$ 7,123	\$ 7,123
Certificates of Deposit	<u>9,884</u>	<u>9,886</u>	<u>3,250</u>	<u>3,292</u>
Total	<u>\$ 10,384</u>	<u>10,386</u>	<u>\$ 10,373</u>	10,415
Less Cost		<u>10,384</u>		<u>10,373</u>
Gross unrealized gains - not recognized		<u>\$ 2</u>		<u>\$ 42</u>

The Company did not realize any gains or losses for the sale of investments during 2021 and 2020. Investments listed above as “*held to maturity*” are expected to reach maturity in 2022. The amount of interest earned on these investments was \$10 (2021) and \$49 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

3 Line-of-Credit Facility and Letters-of-Credits

The Company has a \$7,500 unsecured line-of-credit facility that expires in December 2022 and is payable on demand. The line of credit bears interest at LIBOR plus 1.125% (1.23% at December 31, 2021). The Company is able to request letters of credit up to \$3,000 under this credit facility. The Company has outstanding letters-of-credit totaling \$813 in both 2021 and 2020 pertaining to their self-insured workers' compensation coverage (see Note 10) that mature in 2022.

Amounts outstanding under this agreement were \$-0- at both December 31, 2021 and 2020.

4 Operating Leases

The Company leases several of its office, manufacturing, and warehousing facilities from companies related through common ownership by key employees and principal shareholders. These leases have various renewal and cancellation provisions, lease options, and expiration dates through December 2024.

Rent expense for related party leases totaled \$2,381 in both 2021 and 2020.

The Company also rents facilities from unrelated parties. These leases also have various cancellation provisions, lease options, and expiration dates through December 2026. Some leases have escalation clauses based on the Consumer Price Index. This escalation is reflected in the future payments schedule.

Rent expense for all other leases totaled \$577 (2021) and \$559 (2020).

The Company leases or subleases a portion of their facilities to unrelated parties. This rent received totaled \$345 (2021) and \$354 (2020) and is recorded as a reduction of rent expense.

Future minimum rental payments under non-cancelable operating leases with initial terms of one year or more consisted of the following at December 31:

	<u>Related Party</u>	<u>3rd Party</u>	<u>Total</u>
2022	\$ 2,061	\$ 482	\$ 2,543
2023	805	385	1,190
2024	805	222	1,027
2025	-	33	33
2026	<u>-</u>	<u>34</u>	<u>34</u>
Total	<u>\$ 3,671</u>	<u>\$ 1,156</u>	<u>\$ 4,827</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

5 Shareholders' Equity - Common Stock Information

The common stock of the Company at December 31, 2021 and 2020 is as follows:

	Class A (Voting)	Class B (Nonvoting)	Class C (Nonvoting)	Class D (Nonvoting)
Authorized	300,000	300,000	300,000	34,000
Issued	295,800	295,800	-	-
Outstanding	71,800	218,860	-	-
Treasury	224,000	76,940	-	-
Par value per share	\$ 0.25	\$ 0.08	\$ 0.25	\$ 0.25

6 Employee Benefits Plans and Deferred Compensation

Defined Contribution Savings Plans:

The Company has three separate defined contribution plans in effect for the U.S., Canada, and Puerto Rico employees. The Company matches employees' voluntary tax deferred compensation contributed into the plan on discretionary basis. The matching percentage was 3% in both 2021 and 2020 which resulted in expense totaling \$896 (2021) and \$1,091 (2020).

Voluntary Employees' Beneficiary Association (VEBA):

The Company maintains a Voluntary Employees' Beneficiary Association trust for the purpose of funding certain employee benefits. The Company contributed \$5,205 in 2021 and \$3,742 in 2020. The balance in the trust at December 31 totaled \$1,707 (2021) and \$1,150 (2020) which is included in "other current assets" on the consolidated balance sheet.

Deferred Compensation:

From time to time, the Company has deferred compensation incentive plan(s) with executive(s) of the Company. All amounts relating to these arrangements are accrued for at December 31, 2021 and 2020 as applicable and as either short-term or long-term liabilities based on the payment terms.

7 Related Party Transactions

Leasing Arrangements:

The Company leases operating and office facilities from leasing entities under common control. The Company has elected the alternative available under the provisions of FASB ASU No. 2018-17 Consolidating (Topic 810): *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. This allows a private company to elect the alternative to not apply the VIE guidance to arrangements which meet certain criteria. As a result, the Company does not consolidate the leasing entities. See Note 4.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

7 Related Party Transactions, Continued

Guarantee of Debt of a Related Party:

A related party leasing entity (see Note 4) has outstanding debt due to the State of Ohio of \$1,269 at December 31, 2021 which is guaranteed by the Company. These funds were used to finance an asset leased to the Company. The asset leased to the Company serves as collateral for the debt. Payments of principal and interest totaling approximately \$24 are due monthly with a final payment due in December 2025. During 2020 and due to events surrounding COVID-19 scheduled monthly principal and interest payments were suspended and extended by six months. The maturity of this note is now expected to be June 2026. In the event of a default by the leasing entity, the Company could be obligated to repay the full amount outstanding on these loans. As of December 31, 2021, the Company is unaware of any circumstances that would require performance under this guarantee.

Note Receivable due from a Related Party:

The Company loaned funds to one of the leasing entities that was used to finance the acquisition of the Company's headquarters. The interest rate is 1.5% and payments are due monthly in the amount of \$23, including interest, increasing to \$43 a month, including interest, in June 2022. The last payment is due December 2029. As of December 31, the short-term balance was \$363 (2021) and \$219 (2020) and is included in "prepaids and other assets". The long-term balance was \$3,440 (2021) and \$3,803 (2020) and is included in "other assets". Related party interest income was \$58 (2021) and \$62 (2020).

8 Litigation

The Company is involved in various lawsuits, claims, and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving the Company's products, intellectual property, supplier relationships, competitor relationships, employees and other matters. The Company carries insurance for various types of matters and management will record a liability when a particular contingency is not covered by insurance and the Company's liability is probable and the amount can be reasonably estimated.

The Company is currently working to resolve a matter with the United States Environmental Protection Agency ("USEPA") regarding the use and registration of a chemical used in the manufacturing of one of the Company's products. The Company has accrued \$1,500 at December 31, 2021 related to this matter and will continue to monitor this legal issue and adjust the accrual based on new information and further developments.

Management believes that their policies, practices and procedures are adequately designed to prevent unreasonable risk of environmental damage and personal injury and that their handling, processing, labelling, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

9 Self-Insured Health Insurance

The Company is self-insured for its medical coverage up to a maximum of \$500 per member, per year. The policy does not contain an aggregate maximum for all claims paid during the year. The Company has an accrued liability of \$430 (2021) and \$459 (2020) for anticipated future payments on claims incurred to date. The balance is included in "*accrued expenses*". Management believes this amount is adequate to cover all required claims.

10 Self-Insured Workers' Compensation

The Company is also self-insured for its workers' compensation coverage in Ohio up to \$350 (2021 and 2020) annually per occurrence and outside the State of Ohio up to \$250 (2021 and 2020) annually per occurrence. The Company has accrued a liability of \$121 (2021) and \$91 (2020) for anticipated future payments on claims incurred to date. The balance is included in "*accrued expenses*". Management believes this amount is adequate to cover all required claims.

STATE INDUSTRIAL PRODUCTS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
State Industrial Products Corporation
Mayfield Heights, Ohio

Opinion

We have audited the consolidated financial statements of State Industrial Products Corporation, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of State Industrial Products Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 State Industrial Products Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about State Industrial Products Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Meaden & Moore, Ltd.

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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 State Industrial Products Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about State Industrial Products Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in blue ink that reads "Meaden & Moore Ltd." in a cursive script.

Meaden & Moore, Ltd.
Cleveland, Ohio

May 20, 2022

CONSOLIDATED BALANCE SHEET
(in thousands)

State Industrial Products Corporation

	December 31	
	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,226	\$ 18,722
Investments	10,384	9,873
Accounts receivable - trade	12,676	13,850
Inventory	10,613	11,327
Prepays and other current assets	<u>4,653</u>	<u>3,176</u>
 Total Current Assets	 55,552	 56,948
 PROPERTY AND EQUIPMENT:		
Property and equipment	57,367	55,857
Less: Allowance for depreciation	<u>49,975</u>	<u>48,157</u>
 Total Property and Equipment	 7,392	 7,700
 OTHER ASSETS:		
Goodwill - net of amortization	495	743
Other intangible assets - net of amortization	2	280
Investments	-	500
Other assets	<u>4,115</u>	<u>4,185</u>
 Total Other Assets	 <u>4,612</u>	 <u>5,708</u>
 Total Assets	 <u><u>\$ 67,556</u></u>	 <u><u>\$ 70,356</u></u>

See accompanying notes.

	December 31	
	<u>2021</u>	<u>2020</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,814	\$ 3,328
Accrued expenses	<u>8,577</u>	<u>10,400</u>
Total Current Liabilities	11,391	13,728
OTHER LONG-TERM LIABILITIES		
	<u>29</u>	<u>29</u>
Total Liabilities	11,420	13,757
SHAREHOLDERS' EQUITY:		
Common stock	36	36
Additional paid-in capital	246	246
Retained earnings	69,149	69,647
Other comprehensive loss - foreign currency translation	<u>(336)</u>	<u>(371)</u>
	69,095	69,558
Less: Treasury stock stated at cost	<u>12,959</u>	<u>12,959</u>
Total Shareholders' Equity	<u>56,136</u>	<u>56,599</u>
Total Liabilities and Shareholders' Equity	<u>\$ 67,556</u>	<u>\$ 70,356</u>

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)

State Industrial Products Corporation

Year Ended December 31, 2021 and 2020

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
Balance - January 1, 2020	\$ 36	\$ 246	\$ 65,300	\$ (418)	\$ (12,959)	\$ 52,205
Consolidated Net Income	-	-	9,723	-	-	9,723
Other Comprehensive Income (Loss)	-	-	-	47	-	47
Distributions	<u>-</u>	<u>-</u>	<u>(5,376)</u>	<u>-</u>	<u>-</u>	<u>(5,376)</u>
Balance - December 31, 2020	36	246	69,647	(371)	(12,959)	56,599
Consolidated Net Income	-	-	3,596	-	-	3,596
Other Comprehensive Income (Loss)	-	-	-	35	-	35
Distributions	<u>-</u>	<u>-</u>	<u>(4,094)</u>	<u>-</u>	<u>-</u>	<u>(4,094)</u>
Balance - December 31, 2021	<u>\$ 36</u>	<u>\$ 246</u>	<u>\$ 69,149</u>	<u>\$ (336)</u>	<u>\$ (12,959)</u>	<u>\$ 56,136</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands)

State Industrial Products Corporation

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
Net sales	\$ 131,112	\$ 141,244
Cost of sales	<u>58,959</u>	<u>58,199</u>
Gross Profit	72,153	83,045
Selling, general and administrative expenses	<u>67,839</u>	<u>73,060</u>
Income from Operations	4,314	9,985
Other Income (Expense):		
Interest income (expense) - net	99	162
Other income (expense)	(251)	319
Net gain (loss) on sales or disposals of fixed assets	<u>(88)</u>	<u>33</u>
Total Other Income	<u>(240)</u>	<u>514</u>
Income before Provision for Foreign Income Taxes	4,074	10,499
Provision for Foreign Income Taxes	<u>478</u>	<u>776</u>
Consolidated Net Income	<u>\$ 3,596</u>	<u>\$ 9,723</u>
Consolidated Comprehensive Income:		
Consolidated Net Income	\$ 3,596	\$ 9,723
Other Comprehensive Income (Loss):		
Foreign currency translation adjustment	<u>35</u>	<u>47</u>
Consolidated Comprehensive Income	<u>\$ 3,631</u>	<u>\$ 9,770</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

State Industrial Products Corporation

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 132,035	\$ 141,215
Cash paid to suppliers and employees	(127,050)	(128,576)
Interest received - net	99	162
Income taxes paid	<u>(988)</u>	<u>(276)</u>
Cash Provided by Operating Activities	4,096	12,525
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of fixed assets	108	90
Proceeds from sale of investments	2,750	7,583
Capital expenditures	(2,246)	(1,431)
Purchase of investments	(2,761)	(7,123)
Decrease in other assets	<u>614</u>	<u>832</u>
Cash Used in Investing Activities	(1,535)	(49)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions paid	<u>(4,094)</u>	<u>(5,376)</u>
Effect of Exchange Rate Changes on Cash	<u>37</u>	<u>49</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,496)	7,149
Cash and Cash Equivalents - Beginning of the Year	<u>18,722</u>	<u>11,573</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 17,226</u>	<u>\$ 18,722</u>

See accompanying notes.

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Consolidated Net Income	\$ 3,596	\$ 9,723
Adjustments to Reconcile Net Income to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	2,356	2,569
Amortization	526	547
Net gain on sales or disposals of fixed assets	88	(33)
Increase (Decrease) in Cash from Changes in:		
Accounts receivable	1,174	(348)
Inventory	714	(4,900)
Prepaid expenses and other current assets	(2,021)	(907)
Accounts payable	(514)	1,579
Accrued expenses and other long term liabilities	<u>(1,823)</u>	<u>4,295</u>
Total Adjustments	<u>500</u>	<u>2,802</u>
Cash Provided by Operating Activities	<u>\$ 4,096</u>	<u>\$ 12,525</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies

Description of Business:

State Industrial Products Corporation (the “Company”) is comprised of four divisions – State Chemical Manufacturing Company, State Cleaning Solutions, Neutron Industries, and State Contract Manufacturing. The Company has operations in the United States, Canada and Puerto Rico.

State Chemical Manufacturing Company (State Chemical) accounts for approximately 57% and 59% of the Company’s 2021 and 2020 sales, respectively. State Chemical markets specialty maintenance chemicals to industrial, governmental, and institutional customers.

State Cleaning Solutions provides ware washing and laundry chemical products, machinery and equipment, and services to restaurant, hospitality, and healthcare markets and accounts for approximately 14% and 13% of the Company’s 2021 and 2020 sales, respectively.

Neutron Industries is a supplier of commercial disinfectants, cleaning, air care and specialty chemical products and accounts for approximately 6% and 8% of the Company’s 2021 and 2020 sales, respectively.

State Contract Manufacturing provides custom and specialty chemical manufacturing, blending, and packaging and accounts for approximately 23% and 20% of the Company’s 2021 and 2020 sales, respectively. Substantially all of this divisional revenue was derived from one customer.

Principles of Consolidation:

The consolidated financial statements include the accounts of State Industrial Products Corporation and its wholly owned subsidiaries. Significant intercompany balances and transactions have been eliminated.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Revenue Recognition:

The Company recognizes revenue under ASC 606, “*Revenue from Contracts with Customers*”. The core principle of the revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company applies the following standards and recognizes revenue when (1) it has a firm contract and the parties are committed to perform their respective obligations, (2) the product has been shipped to and accepted by the customer or the service has been provided, (3) the sales price is fixed or determinable and (4) amounts are reasonably assured of collection, including the consideration of the customer’s ability and intention to pay when the amount is due. The Company primarily receives fixed consideration for sales of product and for providing maintenance program services. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year. Shipping and handling amounts paid by customers are included in revenue. Sales tax and other similar taxes are excluded from revenue.

Variable Consideration:

Revenue is recorded net of provisions for discounts, which are typically agreed to upfront with the customer and do not represent variable consideration. The Company estimates these discounts in the same period that the revenue is recognized for products sales to customers. The amount of revenue recognized represents the amount that will not be subject to a significant future reversal of revenue. All sales to customers are generally final. In limited instances, the Company may accept returned product due to quality issues and the Company would have variable consideration. The Company does provide an allowance for returns which is included in accrued expenses. To date, returns have not been material.

Performance Obligations – Products Sale, Rent and Non-Contract Services:

The Company’s performance obligations are satisfied at the point in time when products are shipped or when the service is completed. Therefore, the Company’s product sales and other services have a single performance obligation.

Performance Obligations – Program Service Maintenance Agreements and Deferred Revenue:

The Company offers maintenance agreements which include the cost of the products under contract durations that are typically less than one year. These contracts are treated as a separate performance obligation in which revenues are recognized over time (on a straight-line basis) as the customers simultaneously receive and consume benefits. Fees for these services are typically paid upfront by the customer on a monthly, quarterly or annual basis and are recorded as deferred revenue which is recognized into income on a straight-line basis over the contract term. The deferred revenue balance at December 31 totaled \$1,151 (2021) and \$938 (2020) and is included in accrued expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued:

Disaggregation of Revenue:

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time	\$ 118,639	\$ 130,638
Performance obligations satisfied over time	<u>12,473</u>	<u>10,606</u>
	<u>\$ 131,112</u>	<u>\$ 141,244</u>

Cash and Cash Equivalents:

For the purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At times during the year, the Company maintained funds on deposit at its banks in excess of FDIC insurance limits.

At December 31, the Company held foreign cash balances of \$5,702 (2021) and \$10,134 (2020).

Fair Value of Financial Instruments:

FASB ASC 825, "Financial Instruments" requires that the Company disclose estimated fair values of financial instruments. Financial instruments held by the Company include, among others, accounts receivable, accounts payable and long-term debt. The carrying amounts reported in the balance sheets for assets and liabilities qualifying as financial instruments are a reasonable estimate of fair value.

Accounts Receivable and Concentrations of Credit Risk:

Concentrations of credit risk with respect to accounts receivable are generally limited due to the wide range of geographic areas and industries served by the Company and, except for the State Contract Manufacturing customer, the large number of individually insignificant customers constituting the Company's customer base. The Company normally does not require collateral from its customers.

Trade accounts receivable are stated at the amount management expects to collect from the balances outstanding at year end. The Company reserves for doubtful accounts based on a variety of factors including length of time the receivables are past due and historical experience.

Accounts receivable are net of allowance for doubtful accounts of \$720 (2021) and \$976 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Inventories:

Inventories are stated at the lower of cost or net realizable value. For State Chemical Manufacturing Company (the United States and Puerto Rico operations), Neutron Industries, and State Cleaning Solutions cost is determined using the last-in, first-out (LIFO) method. Inventory cost determined using LIFO represents 77% and 80% of inventories in 2021 and 2020, respectively. For all remaining locations, inventory cost is determined using the first-in, first-out (FIFO) method.

During 2021, inventory quantities were reduced for some divisions using LIFO. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2021 purchases, the effect of which decreased cost of goods sold by approximately \$45 and increased net income by approximately \$45 in 2021.

Components of inventories at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Raw materials and component parts	\$ 5,569	\$ 5,555
Work-in-process and finished goods	9,399	9,607
LIFO Reserve	<u>(4,355)</u>	<u>(3,835)</u>
	<u>\$ 10,613</u>	<u>\$ 11,327</u>

Inventories are net of allowance for slow-moving or obsolete items of \$947 (2021) and \$345 (2020).

At December 31, inventory located outside the United States, in Canada and Puerto Rico, totaled \$419 (2021) and \$516 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Property and Equipment:

Properties are carried at cost. Expenditures for maintenance and repairs are charged to income as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation of properties sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's earnings. The components of property and equipment are as follows:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 641	\$ 641
Buildings and improvements	8,166	8,130
Equipment and furniture and fixtures	37,245	35,731
Capitalized software	10,991	10,624
Construction in progress	<u>324</u>	<u>731</u>
	<u>\$ 57,367</u>	<u>\$ 55,857</u>
Depreciation Expense (including Capital Leases)	<u>\$ 2,356</u>	<u>\$ 2,569</u>

The Company primarily follows the straight-line method of depreciation over the estimated useful lives of the related assets utilizing the following lives:

<u>Class</u>	<u>Years</u>
Buildings and improvements	7 - 30
Equipment and furniture and fixtures	3 - 10
Capitalized software	3 - 5

The Company assesses the recoverability of its property and equipment by determining whether the depreciation of the assets over their remaining lives can be recovered through projected future cash flows generated by the assets. There were no assets identified for impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Revenue-Producing Equipment:

State Cleaning Solutions leases equipment to customers under long-term operating lease agreements expiring through 2026. Revenue under these leasing agreements is recognized on a monthly basis. Net sales generated from leases of revenue-producing equipment were approximately \$8,424 and \$5,511 for the years ended December 31, 2021 and 2020, respectively. Depreciation on revenue-producing equipment is provided over the revenue-producing lives of the assets and totaled approximately \$642 and \$721 for the years ended December 31, 2021 and 2020, respectively.

The following is a summary of the revenue-producing assets, which are included in “*property and equipment*” on the consolidated balance sheet, held for lease at December 31:

	<u>2021</u>	<u>2020</u>
Cost of revenue producing equipment	\$ 12,329	\$ 12,527
Accumulated depreciation or amortization	<u>(11,455)</u>	<u>(11,176)</u>
Net Book Value	<u>\$ 874</u>	<u>\$ 1,351</u>

The anticipated fixed portion of future rentals to be received on leases with customers are as follows:

2022	\$ 7,172
2023	5,004
2024	3,257
2025	1,820
2026	<u>607</u>
Total	<u>\$ 17,860</u>

Goodwill:

The recorded amounts of goodwill from prior business combinations are based on management’s best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. The Company had elected to apply the private company accounting alternative for goodwill as developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period and assessed for impairment only when triggering events occur. No goodwill impairment losses were recognized during 2021 and 2020. The Company has elected to test goodwill for impairment at the entity wide level.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Goodwill, Continued:

The change in the net carrying amount of goodwill for the year is as follows:

	<u>2021</u>	<u>2020</u>
Gross value of goodwill	\$ 2,475	\$ 2,475
Accumulated amortization	<u>1,980</u>	<u>1,732</u>
Net book value	<u>\$ 495</u>	<u>\$ 743</u>

Amortization expense related to goodwill was \$248 (2021) and \$247 (2020) and is expected to approximate \$248 for the next 2 years.

Other Intangible Assets:

Purchased intangible assets with finite lives are primarily amortized using the straight-line method over the estimated economic lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

Description	Life	<u>2021</u>		<u>2020</u>	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology	10	\$ 17	\$ 17	\$ 17	\$ 17
Formulas	10	614	614	614	614
Noncompete	5	264	264	264	264
Customer relationships	3-10	4,462	4,460	4,462	4,182
Trade names	5	<u>123</u>	<u>123</u>	<u>123</u>	<u>123</u>
Total		<u>\$ 5,480</u>	<u>\$ 5,478</u>	<u>\$ 5,480</u>	<u>\$ 5,200</u>
Net book value		<u>\$ 2</u>		<u>\$ 280</u>	

Amortization expense related to other intangible assets was \$278 (2021) and \$300 (2020) and is expected to approximate \$2 in 2022.

Marketing Costs:

The Company participates in various advertising and marketing programs which includes providing product samples. All costs related to marketing and advertising the Company's products are expensed in the period incurred. Marketing costs charged to operations was \$988 (2021) and \$927 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Income Taxes:

Effective January 1, 1997, the stockholders of the Company elected to be taxed as a Subchapter S Corporation under the Internal Revenue Code and the respective state codes. As an S Corporation, the United States taxable income or loss of the Company is included in the taxable income of the Company's stockholders and no United States federal income taxes are recorded by the Company. The Company is subject to certain foreign, state, and local income taxes.

Undistributed Pre-S Corporation retained earnings of the Company totaled \$30,354 at both December 31, 2021 and 2020.

Accounting for Uncertainty in Income Taxes:

The provisions of "*Accounting for Uncertainty in Income Taxes*" prescribe a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties accrued related to unrecognized tax uncertainties in income tax expense, if any. The Company files income tax returns in the United States, Canada and Puerto Rico.

Corporate Distribution Policy:

Management intends to distribute cash to its shareholders to cover the tax effect of taxable income passed through to the individual level. Distributions in excess of the tax effect are at the discretion of management.

Other Comprehensive Income (Loss) - Foreign Currency Translation:

Accumulated other comprehensive income (loss) at December 31, 2021 and 2020 consisted of foreign currency translation adjustments. The functional currency for the Company's Canadian subsidiary is the Canadian dollar. Financial statements for this subsidiary are translated into United States dollars at year-end exchange rates as to assets and liabilities and weighted-average exchange rates as to revenue and expenses. The resulting translation adjustments are recorded in accumulated other comprehensive income (loss) in shareholders' equity.

Foreign currency transaction gains or (losses) are recorded net on the income statement in "*other income*" there were losses of \$299 for 2021 and gains of \$274 for 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Subsequent Events:

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through May 20, 2022, which is the date the consolidated financial statements were available to be issued.

Impact of Recently Issued Standards:

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2022. The Company is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

2 Investments

During 2021 and 2020, the Company purchased investments in fixed income securities whereby the Company has both the positive intent and ability to hold to maturity. Therefore, these investments are classified as “*held to maturity*” and are recorded at cost.

The Company's investments consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market - U.S.				
Treasuries Fund	\$ 500	\$ 500	\$ 7,123	\$ 7,123
Certificates of Deposit	<u>9,884</u>	<u>9,886</u>	<u>3,250</u>	<u>3,292</u>
Total	<u>\$ 10,384</u>	<u>10,386</u>	<u>\$ 10,373</u>	10,415
Less Cost		<u>10,384</u>		<u>10,373</u>
Gross unrealized gains - not recognized		<u>\$ 2</u>		<u>\$ 42</u>

The Company did not realize any gains or losses for the sale of investments during 2021 and 2020. Investments listed above as “*held to maturity*” are expected to reach maturity in 2022. The amount of interest earned on these investments was \$10 (2021) and \$49 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

3 Line-of-Credit Facility and Letters-of-Credits

The Company has a \$7,500 unsecured line-of-credit facility that expires in December 2022 and is payable on demand. The line of credit bears interest at LIBOR plus 1.125% (1.23% at December 31, 2021). The Company is able to request letters of credit up to \$3,000 under this credit facility. The Company has outstanding letters-of-credit totaling \$813 in both 2021 and 2020 pertaining to their self-insured workers' compensation coverage (see Note 10) that mature in 2022.

Amounts outstanding under this agreement were \$-0- at both December 31, 2021 and 2020.

4 Operating Leases

The Company leases several of its office, manufacturing, and warehousing facilities from companies related through common ownership by key employees and principal shareholders. These leases have various renewal and cancellation provisions, lease options, and expiration dates through December 2024.

Rent expense for related party leases totaled \$2,381 in both 2021 and 2020.

The Company also rents facilities from unrelated parties. These leases also have various cancellation provisions, lease options, and expiration dates through December 2026. Some leases have escalation clauses based on the Consumer Price Index. This escalation is reflected in the future payments schedule.

Rent expense for all other leases totaled \$577 (2021) and \$559 (2020).

The Company leases or subleases a portion of their facilities to unrelated parties. This rent received totaled \$345 (2021) and \$354 (2020) and is recorded as a reduction of rent expense.

Future minimum rental payments under non-cancelable operating leases with initial terms of one year or more consisted of the following at December 31:

	<u>Related Party</u>	<u>3rd Party</u>	<u>Total</u>
2022	\$ 2,061	\$ 482	\$ 2,543
2023	805	385	1,190
2024	805	222	1,027
2025	-	33	33
2026	<u>-</u>	<u>34</u>	<u>34</u>
Total	<u>\$ 3,671</u>	<u>\$ 1,156</u>	<u>\$ 4,827</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

5 Shareholders' Equity - Common Stock Information

The common stock of the Company at December 31, 2021 and 2020 is as follows:

	Class A (Voting)	Class B (Nonvoting)	Class C (Nonvoting)	Class D (Nonvoting)
Authorized	300,000	300,000	300,000	34,000
Issued	295,800	295,800	-	-
Outstanding	71,800	218,860	-	-
Treasury	224,000	76,940	-	-
Par value per share	\$ 0.25	\$ 0.08	\$ 0.25	\$ 0.25

6 Employee Benefits Plans and Deferred Compensation

Defined Contribution Savings Plans:

The Company has three separate defined contribution plans in effect for the U.S., Canada, and Puerto Rico employees. The Company matches employees' voluntary tax deferred compensation contributed into the plan on discretionary basis. The matching percentage was 3% in both 2021 and 2020 which resulted in expense totaling \$896 (2021) and \$1,091 (2020).

Voluntary Employees' Beneficiary Association (VEBA):

The Company maintains a Voluntary Employees' Beneficiary Association trust for the purpose of funding certain employee benefits. The Company contributed \$5,205 in 2021 and \$3,742 in 2020. The balance in the trust at December 31 totaled \$1,707 (2021) and \$1,150 (2020) which is included in "other current assets" on the consolidated balance sheet.

Deferred Compensation:

From time to time, the Company has deferred compensation incentive plan(s) with executive(s) of the Company. All amounts relating to these arrangements are accrued for at December 31, 2021 and 2020 as applicable and as either short-term or long-term liabilities based on the payment terms.

7 Related Party Transactions

Leasing Arrangements:

The Company leases operating and office facilities from leasing entities under common control. The Company has elected the alternative available under the provisions of FASB ASU No. 2018-17 Consolidating (Topic 810): *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. This allows a private company to elect the alternative to not apply the VIE guidance to arrangements which meet certain criteria. As a result, the Company does not consolidate the leasing entities. See Note 4.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

7 Related Party Transactions, Continued

Guarantee of Debt of a Related Party:

A related party leasing entity (see Note 4) has outstanding debt due to the State of Ohio of \$1,269 at December 31, 2021 which is guaranteed by the Company. These funds were used to finance an asset leased to the Company. The asset leased to the Company serves as collateral for the debt. Payments of principal and interest totaling approximately \$24 are due monthly with a final payment due in December 2025. During 2020 and due to events surrounding COVID-19 scheduled monthly principal and interest payments were suspended and extended by six months. The maturity of this note is now expected to be June 2026. In the event of a default by the leasing entity, the Company could be obligated to repay the full amount outstanding on these loans. As of December 31, 2021, the Company is unaware of any circumstances that would require performance under this guarantee.

Note Receivable due from a Related Party:

The Company loaned funds to one of the leasing entities that was used to finance the acquisition of the Company's headquarters. The interest rate is 1.5% and payments are due monthly in the amount of \$23, including interest, increasing to \$43 a month, including interest, in June 2022. The last payment is due December 2029. As of December 31, the short-term balance was \$363 (2021) and \$219 (2020) and is included in "prepaids and other assets". The long-term balance was \$3,440 (2021) and \$3,803 (2020) and is included in "other assets". Related party interest income was \$58 (2021) and \$62 (2020).

8 Litigation

The Company is involved in various lawsuits, claims, and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving the Company's products, intellectual property, supplier relationships, competitor relationships, employees and other matters. The Company carries insurance for various types of matters and management will record a liability when a particular contingency is not covered by insurance and the Company's liability is probable and the amount can be reasonably estimated.

The Company is currently working to resolve a matter with the United States Environmental Protection Agency ("USEPA") regarding the use and registration of a chemical used in the manufacturing of one of the Company's products. The Company has accrued \$1,500 at December 31, 2021 related to this matter and will continue to monitor this legal issue and adjust the accrual based on new information and further developments.

Management believes that their policies, practices and procedures are adequately designed to prevent unreasonable risk of environmental damage and personal injury and that their handling, processing, labelling, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

9 Self-Insured Health Insurance

The Company is self-insured for its medical coverage up to a maximum of \$500 per member, per year. The policy does not contain an aggregate maximum for all claims paid during the year. The Company has an accrued liability of \$430 (2021) and \$459 (2020) for anticipated future payments on claims incurred to date. The balance is included in "*accrued expenses*". Management believes this amount is adequate to cover all required claims.

10 Self-Insured Workers' Compensation

The Company is also self-insured for its workers' compensation coverage in Ohio up to \$350 (2021 and 2020) annually per occurrence and outside the State of Ohio up to \$250 (2021 and 2020) annually per occurrence. The Company has accrued a liability of \$121 (2021) and \$91 (2020) for anticipated future payments on claims incurred to date. The balance is included in "*accrued expenses*". Management believes this amount is adequate to cover all required claims.

STATE INDUSTRIAL PRODUCTS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
State Industrial Products Corporation
Mayfield Heights, Ohio

Opinion

We have audited the consolidated financial statements of State Industrial Products Corporation, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of State Industrial Products Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 State Industrial Products Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about State Industrial Products Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Meaden & Moore, Ltd.

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AKRON | BEACHWOOD | CLEVELAND | COLUMBUS | WOOSTER

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 State Industrial Products Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about State Industrial Products Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in blue ink that reads "Meaden & Moore Ltd." in a cursive script.

Meaden & Moore, Ltd.
Cleveland, Ohio

May 20, 2022

CONSOLIDATED BALANCE SHEET
(in thousands)

State Industrial Products Corporation

	December 31	
	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,226	\$ 18,722
Investments	10,384	9,873
Accounts receivable - trade	12,676	13,850
Inventory	10,613	11,327
Prepays and other current assets	<u>4,653</u>	<u>3,176</u>
 Total Current Assets	 55,552	 56,948
 PROPERTY AND EQUIPMENT:		
Property and equipment	57,367	55,857
Less: Allowance for depreciation	<u>49,975</u>	<u>48,157</u>
 Total Property and Equipment	 7,392	 7,700
 OTHER ASSETS:		
Goodwill - net of amortization	495	743
Other intangible assets - net of amortization	2	280
Investments	-	500
Other assets	<u>4,115</u>	<u>4,185</u>
 Total Other Assets	 <u>4,612</u>	 <u>5,708</u>
 Total Assets	 <u><u>\$ 67,556</u></u>	 <u><u>\$ 70,356</u></u>

See accompanying notes.

	December 31	
	<u>2021</u>	<u>2020</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,814	\$ 3,328
Accrued expenses	<u>8,577</u>	<u>10,400</u>
Total Current Liabilities	11,391	13,728
OTHER LONG-TERM LIABILITIES		
	<u>29</u>	<u>29</u>
Total Liabilities	11,420	13,757
SHAREHOLDERS' EQUITY:		
Common stock	36	36
Additional paid-in capital	246	246
Retained earnings	69,149	69,647
Other comprehensive loss - foreign currency translation	<u>(336)</u>	<u>(371)</u>
	69,095	69,558
Less: Treasury stock stated at cost	<u>12,959</u>	<u>12,959</u>
Total Shareholders' Equity	<u>56,136</u>	<u>56,599</u>
Total Liabilities and Shareholders' Equity	<u>\$ 67,556</u>	<u>\$ 70,356</u>

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)

State Industrial Products Corporation

Year Ended December 31, 2021 and 2020

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
Balance - January 1, 2020	\$ 36	\$ 246	\$ 65,300	\$ (418)	\$ (12,959)	\$ 52,205
Consolidated Net Income	-	-	9,723	-	-	9,723
Other Comprehensive Income (Loss)	-	-	-	47	-	47
Distributions	<u>-</u>	<u>-</u>	<u>(5,376)</u>	<u>-</u>	<u>-</u>	<u>(5,376)</u>
Balance - December 31, 2020	36	246	69,647	(371)	(12,959)	56,599
Consolidated Net Income	-	-	3,596	-	-	3,596
Other Comprehensive Income (Loss)	-	-	-	35	-	35
Distributions	<u>-</u>	<u>-</u>	<u>(4,094)</u>	<u>-</u>	<u>-</u>	<u>(4,094)</u>
Balance - December 31, 2021	<u>\$ 36</u>	<u>\$ 246</u>	<u>\$ 69,149</u>	<u>\$ (336)</u>	<u>\$ (12,959)</u>	<u>\$ 56,136</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands)

State Industrial Products Corporation

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
Net sales	\$ 131,112	\$ 141,244
Cost of sales	<u>58,959</u>	<u>58,199</u>
Gross Profit	72,153	83,045
Selling, general and administrative expenses	<u>67,839</u>	<u>73,060</u>
Income from Operations	4,314	9,985
Other Income (Expense):		
Interest income (expense) - net	99	162
Other income (expense)	(251)	319
Net gain (loss) on sales or disposals of fixed assets	<u>(88)</u>	<u>33</u>
Total Other Income	<u>(240)</u>	<u>514</u>
Income before Provision for Foreign Income Taxes	4,074	10,499
Provision for Foreign Income Taxes	<u>478</u>	<u>776</u>
Consolidated Net Income	<u>\$ 3,596</u>	<u>\$ 9,723</u>
Consolidated Comprehensive Income:		
Consolidated Net Income	\$ 3,596	\$ 9,723
Other Comprehensive Income (Loss):		
Foreign currency translation adjustment	<u>35</u>	<u>47</u>
Consolidated Comprehensive Income	<u>\$ 3,631</u>	<u>\$ 9,770</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

State Industrial Products Corporation

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 132,035	\$ 141,215
Cash paid to suppliers and employees	(127,050)	(128,576)
Interest received - net	99	162
Income taxes paid	<u>(988)</u>	<u>(276)</u>
Cash Provided by Operating Activities	4,096	12,525
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of fixed assets	108	90
Proceeds from sale of investments	2,750	7,583
Capital expenditures	(2,246)	(1,431)
Purchase of investments	(2,761)	(7,123)
Decrease in other assets	<u>614</u>	<u>832</u>
Cash Used in Investing Activities	(1,535)	(49)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions paid	<u>(4,094)</u>	<u>(5,376)</u>
Effect of Exchange Rate Changes on Cash	<u>37</u>	<u>49</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,496)	7,149
Cash and Cash Equivalents - Beginning of the Year	<u>18,722</u>	<u>11,573</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 17,226</u>	<u>\$ 18,722</u>

See accompanying notes.

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Consolidated Net Income	\$ 3,596	\$ 9,723
Adjustments to Reconcile Net Income to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	2,356	2,569
Amortization	526	547
Net gain on sales or disposals of fixed assets	88	(33)
Increase (Decrease) in Cash from Changes in:		
Accounts receivable	1,174	(348)
Inventory	714	(4,900)
Prepaid expenses and other current assets	(2,021)	(907)
Accounts payable	(514)	1,579
Accrued expenses and other long term liabilities	<u>(1,823)</u>	<u>4,295</u>
Total Adjustments	<u>500</u>	<u>2,802</u>
Cash Provided by Operating Activities	<u>\$ 4,096</u>	<u>\$ 12,525</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies

Description of Business:

State Industrial Products Corporation (the “Company”) is comprised of four divisions – State Chemical Manufacturing Company, State Cleaning Solutions, Neutron Industries, and State Contract Manufacturing. The Company has operations in the United States, Canada and Puerto Rico.

State Chemical Manufacturing Company (State Chemical) accounts for approximately 57% and 59% of the Company’s 2021 and 2020 sales, respectively. State Chemical markets specialty maintenance chemicals to industrial, governmental, and institutional customers.

State Cleaning Solutions provides ware washing and laundry chemical products, machinery and equipment, and services to restaurant, hospitality, and healthcare markets and accounts for approximately 14% and 13% of the Company’s 2021 and 2020 sales, respectively.

Neutron Industries is a supplier of commercial disinfectants, cleaning, air care and specialty chemical products and accounts for approximately 6% and 8% of the Company’s 2021 and 2020 sales, respectively.

State Contract Manufacturing provides custom and specialty chemical manufacturing, blending, and packaging and accounts for approximately 23% and 20% of the Company’s 2021 and 2020 sales, respectively. Substantially all of this divisional revenue was derived from one customer.

Principles of Consolidation:

The consolidated financial statements include the accounts of State Industrial Products Corporation and its wholly owned subsidiaries. Significant intercompany balances and transactions have been eliminated.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Revenue Recognition:

The Company recognizes revenue under ASC 606, “*Revenue from Contracts with Customers*”. The core principle of the revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company applies the following standards and recognizes revenue when (1) it has a firm contract and the parties are committed to perform their respective obligations, (2) the product has been shipped to and accepted by the customer or the service has been provided, (3) the sales price is fixed or determinable and (4) amounts are reasonably assured of collection, including the consideration of the customer’s ability and intention to pay when the amount is due. The Company primarily receives fixed consideration for sales of product and for providing maintenance program services. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year. Shipping and handling amounts paid by customers are included in revenue. Sales tax and other similar taxes are excluded from revenue.

Variable Consideration:

Revenue is recorded net of provisions for discounts, which are typically agreed to upfront with the customer and do not represent variable consideration. The Company estimates these discounts in the same period that the revenue is recognized for products sales to customers. The amount of revenue recognized represents the amount that will not be subject to a significant future reversal of revenue. All sales to customers are generally final. In limited instances, the Company may accept returned product due to quality issues and the Company would have variable consideration. The Company does provide an allowance for returns which is included in accrued expenses. To date, returns have not been material.

Performance Obligations – Products Sale, Rent and Non-Contract Services:

The Company’s performance obligations are satisfied at the point in time when products are shipped or when the service is completed. Therefore, the Company’s product sales and other services have a single performance obligation.

Performance Obligations – Program Service Maintenance Agreements and Deferred Revenue:

The Company offers maintenance agreements which include the cost of the products under contract durations that are typically less than one year. These contracts are treated as a separate performance obligation in which revenues are recognized over time (on a straight-line basis) as the customers simultaneously receive and consume benefits. Fees for these services are typically paid upfront by the customer on a monthly, quarterly or annual basis and are recorded as deferred revenue which is recognized into income on a straight-line basis over the contract term. The deferred revenue balance at December 31 totaled \$1,151 (2021) and \$938 (2020) and is included in accrued expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued:

Disaggregation of Revenue:

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time	\$ 118,639	\$ 130,638
Performance obligations satisfied over time	<u>12,473</u>	<u>10,606</u>
	<u>\$ 131,112</u>	<u>\$ 141,244</u>

Cash and Cash Equivalents:

For the purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At times during the year, the Company maintained funds on deposit at its banks in excess of FDIC insurance limits.

At December 31, the Company held foreign cash balances of \$5,702 (2021) and \$10,134 (2020).

Fair Value of Financial Instruments:

FASB ASC 825, "Financial Instruments" requires that the Company disclose estimated fair values of financial instruments. Financial instruments held by the Company include, among others, accounts receivable, accounts payable and long-term debt. The carrying amounts reported in the balance sheets for assets and liabilities qualifying as financial instruments are a reasonable estimate of fair value.

Accounts Receivable and Concentrations of Credit Risk:

Concentrations of credit risk with respect to accounts receivable are generally limited due to the wide range of geographic areas and industries served by the Company and, except for the State Contract Manufacturing customer, the large number of individually insignificant customers constituting the Company's customer base. The Company normally does not require collateral from its customers.

Trade accounts receivable are stated at the amount management expects to collect from the balances outstanding at year end. The Company reserves for doubtful accounts based on a variety of factors including length of time the receivables are past due and historical experience.

Accounts receivable are net of allowance for doubtful accounts of \$720 (2021) and \$976 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Inventories:

Inventories are stated at the lower of cost or net realizable value. For State Chemical Manufacturing Company (the United States and Puerto Rico operations), Neutron Industries, and State Cleaning Solutions cost is determined using the last-in, first-out (LIFO) method. Inventory cost determined using LIFO represents 77% and 80% of inventories in 2021 and 2020, respectively. For all remaining locations, inventory cost is determined using the first-in, first-out (FIFO) method.

During 2021, inventory quantities were reduced for some divisions using LIFO. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2021 purchases, the effect of which decreased cost of goods sold by approximately \$45 and increased net income by approximately \$45 in 2021.

Components of inventories at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Raw materials and component parts	\$ 5,569	\$ 5,555
Work-in-process and finished goods	9,399	9,607
LIFO Reserve	<u>(4,355)</u>	<u>(3,835)</u>
	<u>\$ 10,613</u>	<u>\$ 11,327</u>

Inventories are net of allowance for slow-moving or obsolete items of \$947 (2021) and \$345 (2020).

At December 31, inventory located outside the United States, in Canada and Puerto Rico, totaled \$419 (2021) and \$516 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Property and Equipment:

Properties are carried at cost. Expenditures for maintenance and repairs are charged to income as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation of properties sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's earnings. The components of property and equipment are as follows:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 641	\$ 641
Buildings and improvements	8,166	8,130
Equipment and furniture and fixtures	37,245	35,731
Capitalized software	10,991	10,624
Construction in progress	<u>324</u>	<u>731</u>
	<u>\$ 57,367</u>	<u>\$ 55,857</u>
Depreciation Expense (including Capital Leases)	<u>\$ 2,356</u>	<u>\$ 2,569</u>

The Company primarily follows the straight-line method of depreciation over the estimated useful lives of the related assets utilizing the following lives:

<u>Class</u>	<u>Years</u>
Buildings and improvements	7 - 30
Equipment and furniture and fixtures	3 - 10
Capitalized software	3 - 5

The Company assesses the recoverability of its property and equipment by determining whether the depreciation of the assets over their remaining lives can be recovered through projected future cash flows generated by the assets. There were no assets identified for impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Revenue-Producing Equipment:

State Cleaning Solutions leases equipment to customers under long-term operating lease agreements expiring through 2026. Revenue under these leasing agreements is recognized on a monthly basis. Net sales generated from leases of revenue-producing equipment were approximately \$8,424 and \$5,511 for the years ended December 31, 2021 and 2020, respectively. Depreciation on revenue-producing equipment is provided over the revenue-producing lives of the assets and totaled approximately \$642 and \$721 for the years ended December 31, 2021 and 2020, respectively.

The following is a summary of the revenue-producing assets, which are included in “*property and equipment*” on the consolidated balance sheet, held for lease at December 31:

	<u>2021</u>	<u>2020</u>
Cost of revenue producing equipment	\$ 12,329	\$ 12,527
Accumulated depreciation or amortization	<u>(11,455)</u>	<u>(11,176)</u>
Net Book Value	<u>\$ 874</u>	<u>\$ 1,351</u>

The anticipated fixed portion of future rentals to be received on leases with customers are as follows:

2022	\$ 7,172
2023	5,004
2024	3,257
2025	1,820
2026	<u>607</u>
Total	<u>\$ 17,860</u>

Goodwill:

The recorded amounts of goodwill from prior business combinations are based on management’s best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. The Company had elected to apply the private company accounting alternative for goodwill as developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period and assessed for impairment only when triggering events occur. No goodwill impairment losses were recognized during 2021 and 2020. The Company has elected to test goodwill for impairment at the entity wide level.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Goodwill, Continued:

The change in the net carrying amount of goodwill for the year is as follows:

	<u>2021</u>	<u>2020</u>
Gross value of goodwill	\$ 2,475	\$ 2,475
Accumulated amortization	<u>1,980</u>	<u>1,732</u>
Net book value	<u>\$ 495</u>	<u>\$ 743</u>

Amortization expense related to goodwill was \$248 (2021) and \$247 (2020) and is expected to approximate \$248 for the next 2 years.

Other Intangible Assets:

Purchased intangible assets with finite lives are primarily amortized using the straight-line method over the estimated economic lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

Description	Life	<u>2021</u>		<u>2020</u>	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology	10	\$ 17	\$ 17	\$ 17	\$ 17
Formulas	10	614	614	614	614
Noncompete	5	264	264	264	264
Customer relationships	3-10	4,462	4,460	4,462	4,182
Trade names	5	<u>123</u>	<u>123</u>	<u>123</u>	<u>123</u>
Total		<u>\$ 5,480</u>	<u>\$ 5,478</u>	<u>\$ 5,480</u>	<u>\$ 5,200</u>
Net book value		<u>\$ 2</u>		<u>\$ 280</u>	

Amortization expense related to other intangible assets was \$278 (2021) and \$300 (2020) and is expected to approximate \$2 in 2022.

Marketing Costs:

The Company participates in various advertising and marketing programs which includes providing product samples. All costs related to marketing and advertising the Company's products are expensed in the period incurred. Marketing costs charged to operations was \$988 (2021) and \$927 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Income Taxes:

Effective January 1, 1997, the stockholders of the Company elected to be taxed as a Subchapter S Corporation under the Internal Revenue Code and the respective state codes. As an S Corporation, the United States taxable income or loss of the Company is included in the taxable income of the Company's stockholders and no United States federal income taxes are recorded by the Company. The Company is subject to certain foreign, state, and local income taxes.

Undistributed Pre-S Corporation retained earnings of the Company totaled \$30,354 at both December 31, 2021 and 2020.

Accounting for Uncertainty in Income Taxes:

The provisions of "*Accounting for Uncertainty in Income Taxes*" prescribe a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties accrued related to unrecognized tax uncertainties in income tax expense, if any. The Company files income tax returns in the United States, Canada and Puerto Rico.

Corporate Distribution Policy:

Management intends to distribute cash to its shareholders to cover the tax effect of taxable income passed through to the individual level. Distributions in excess of the tax effect are at the discretion of management.

Other Comprehensive Income (Loss) - Foreign Currency Translation:

Accumulated other comprehensive income (loss) at December 31, 2021 and 2020 consisted of foreign currency translation adjustments. The functional currency for the Company's Canadian subsidiary is the Canadian dollar. Financial statements for this subsidiary are translated into United States dollars at year-end exchange rates as to assets and liabilities and weighted-average exchange rates as to revenue and expenses. The resulting translation adjustments are recorded in accumulated other comprehensive income (loss) in shareholders' equity.

Foreign currency transaction gains or (losses) are recorded net on the income statement in "*other income*" there were losses of \$299 for 2021 and gains of \$274 for 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

1 Summary of Significant Accounting Policies, Continued

Subsequent Events:

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through May 20, 2022, which is the date the consolidated financial statements were available to be issued.

Impact of Recently Issued Standards:

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2022. The Company is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

2 Investments

During 2021 and 2020, the Company purchased investments in fixed income securities whereby the Company has both the positive intent and ability to hold to maturity. Therefore, these investments are classified as “*held to maturity*” and are recorded at cost.

The Company's investments consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market - U.S.				
Treasuries Fund	\$ 500	\$ 500	\$ 7,123	\$ 7,123
Certificates of Deposit	<u>9,884</u>	<u>9,886</u>	<u>3,250</u>	<u>3,292</u>
Total	<u>\$ 10,384</u>	<u>10,386</u>	<u>\$ 10,373</u>	10,415
Less Cost		<u>10,384</u>		<u>10,373</u>
Gross unrealized gains - not recognized		<u>\$ 2</u>		<u>\$ 42</u>

The Company did not realize any gains or losses for the sale of investments during 2021 and 2020. Investments listed above as “*held to maturity*” are expected to reach maturity in 2022. The amount of interest earned on these investments was \$10 (2021) and \$49 (2020).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

3 Line-of-Credit Facility and Letters-of-Credits

The Company has a \$7,500 unsecured line-of-credit facility that expires in December 2022 and is payable on demand. The line of credit bears interest at LIBOR plus 1.125% (1.23% at December 31, 2021). The Company is able to request letters of credit up to \$3,000 under this credit facility. The Company has outstanding letters-of-credit totaling \$813 in both 2021 and 2020 pertaining to their self-insured workers' compensation coverage (see Note 10) that mature in 2022.

Amounts outstanding under this agreement were \$-0- at both December 31, 2021 and 2020.

4 Operating Leases

The Company leases several of its office, manufacturing, and warehousing facilities from companies related through common ownership by key employees and principal shareholders. These leases have various renewal and cancellation provisions, lease options, and expiration dates through December 2024.

Rent expense for related party leases totaled \$2,381 in both 2021 and 2020.

The Company also rents facilities from unrelated parties. These leases also have various cancellation provisions, lease options, and expiration dates through December 2026. Some leases have escalation clauses based on the Consumer Price Index. This escalation is reflected in the future payments schedule.

Rent expense for all other leases totaled \$577 (2021) and \$559 (2020).

The Company leases or subleases a portion of their facilities to unrelated parties. This rent received totaled \$345 (2021) and \$354 (2020) and is recorded as a reduction of rent expense.

Future minimum rental payments under non-cancelable operating leases with initial terms of one year or more consisted of the following at December 31:

	<u>Related Party</u>	<u>3rd Party</u>	<u>Total</u>
2022	\$ 2,061	\$ 482	\$ 2,543
2023	805	385	1,190
2024	805	222	1,027
2025	-	33	33
2026	<u>-</u>	<u>34</u>	<u>34</u>
Total	<u>\$ 3,671</u>	<u>\$ 1,156</u>	<u>\$ 4,827</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

5 Shareholders' Equity - Common Stock Information

The common stock of the Company at December 31, 2021 and 2020 is as follows:

	Class A (Voting)	Class B (Nonvoting)	Class C (Nonvoting)	Class D (Nonvoting)
Authorized	300,000	300,000	300,000	34,000
Issued	295,800	295,800	-	-
Outstanding	71,800	218,860	-	-
Treasury	224,000	76,940	-	-
Par value per share	\$ 0.25	\$ 0.08	\$ 0.25	\$ 0.25

6 Employee Benefits Plans and Deferred Compensation

Defined Contribution Savings Plans:

The Company has three separate defined contribution plans in effect for the U.S., Canada, and Puerto Rico employees. The Company matches employees' voluntary tax deferred compensation contributed into the plan on discretionary basis. The matching percentage was 3% in both 2021 and 2020 which resulted in expense totaling \$896 (2021) and \$1,091 (2020).

Voluntary Employees' Beneficiary Association (VEBA):

The Company maintains a Voluntary Employees' Beneficiary Association trust for the purpose of funding certain employee benefits. The Company contributed \$5,205 in 2021 and \$3,742 in 2020. The balance in the trust at December 31 totaled \$1,707 (2021) and \$1,150 (2020) which is included in "other current assets" on the consolidated balance sheet.

Deferred Compensation:

From time to time, the Company has deferred compensation incentive plan(s) with executive(s) of the Company. All amounts relating to these arrangements are accrued for at December 31, 2021 and 2020 as applicable and as either short-term or long-term liabilities based on the payment terms.

7 Related Party Transactions

Leasing Arrangements:

The Company leases operating and office facilities from leasing entities under common control. The Company has elected the alternative available under the provisions of FASB ASU No. 2018-17 Consolidating (Topic 810): *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. This allows a private company to elect the alternative to not apply the VIE guidance to arrangements which meet certain criteria. As a result, the Company does not consolidate the leasing entities. See Note 4.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

7 Related Party Transactions, Continued

Guarantee of Debt of a Related Party:

A related party leasing entity (see Note 4) has outstanding debt due to the State of Ohio of \$1,269 at December 31, 2021 which is guaranteed by the Company. These funds were used to finance an asset leased to the Company. The asset leased to the Company serves as collateral for the debt. Payments of principal and interest totaling approximately \$24 are due monthly with a final payment due in December 2025. During 2020 and due to events surrounding COVID-19 scheduled monthly principal and interest payments were suspended and extended by six months. The maturity of this note is now expected to be June 2026. In the event of a default by the leasing entity, the Company could be obligated to repay the full amount outstanding on these loans. As of December 31, 2021, the Company is unaware of any circumstances that would require performance under this guarantee.

Note Receivable due from a Related Party:

The Company loaned funds to one of the leasing entities that was used to finance the acquisition of the Company's headquarters. The interest rate is 1.5% and payments are due monthly in the amount of \$23, including interest, increasing to \$43 a month, including interest, in June 2022. The last payment is due December 2029. As of December 31, the short-term balance was \$363 (2021) and \$219 (2020) and is included in "prepaids and other assets". The long-term balance was \$3,440 (2021) and \$3,803 (2020) and is included in "other assets". Related party interest income was \$58 (2021) and \$62 (2020).

8 Litigation

The Company is involved in various lawsuits, claims, and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving the Company's products, intellectual property, supplier relationships, competitor relationships, employees and other matters. The Company carries insurance for various types of matters and management will record a liability when a particular contingency is not covered by insurance and the Company's liability is probable and the amount can be reasonably estimated.

The Company is currently working to resolve a matter with the United States Environmental Protection Agency ("USEPA") regarding the use and registration of a chemical used in the manufacturing of one of the Company's products. The Company has accrued \$1,500 at December 31, 2021 related to this matter and will continue to monitor this legal issue and adjust the accrual based on new information and further developments.

Management believes that their policies, practices and procedures are adequately designed to prevent unreasonable risk of environmental damage and personal injury and that their handling, processing, labelling, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(balances are presented in thousands except for value per share data)

State Industrial Products Corporation

9 Self-Insured Health Insurance

The Company is self-insured for its medical coverage up to a maximum of \$500 per member, per year. The policy does not contain an aggregate maximum for all claims paid during the year. The Company has an accrued liability of \$430 (2021) and \$459 (2020) for anticipated future payments on claims incurred to date. The balance is included in "*accrued expenses*". Management believes this amount is adequate to cover all required claims.

10 Self-Insured Workers' Compensation

The Company is also self-insured for its workers' compensation coverage in Ohio up to \$350 (2021 and 2020) annually per occurrence and outside the State of Ohio up to \$250 (2021 and 2020) annually per occurrence. The Company has accrued a liability of \$121 (2021) and \$91 (2020) for anticipated future payments on claims incurred to date. The balance is included in "*accrued expenses*". Management believes this amount is adequate to cover all required claims.