

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 2022 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2022 or fiscal plan year beginning 10/01/2022 and ending 09/30/2023	
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 ENGAGE TECHNOLOGIES CORPORATION 401(K) SAVINGS PLAN	1b	Three-digit plan number (PN) ▶ 001
		1c	Effective date of plan 07/01/2010
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) ENGAGE TECHNOLOGIES CORPORATION 7041 BOONE AVE, NORTH BROOKLYN PARK, MN 55428	2b	Employer Identification Number (EIN) 36-4580303
		2c	Plan Sponsor's telephone number 763-398-1720
		2d	Business code (see instructions) 334500

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.	07/02/2024	LAURIE BAADSGAARD
	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

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		5 142
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) 132
a(2) Total number of active participants at the end of the plan year		6a(2) 132
b Retired or separated participants receiving benefits		6b 0
c Other retired or separated participants entitled to future benefits.....		6c 11
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d 143
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e 0
f Total. Add lines 6d and 6e		6f 143
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....		6g 111
h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.....		6h 3
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 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) ☐ 0 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 2022 Form M-1 annual report. If the plan was not required to file the 2022 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
		2022
		This Form is Open to Public Inspection.

For calendar plan year 2022 or fiscal plan year beginning 10/01/2022 and ending 09/30/2023	
A Name of plan ENGAGE TECHNOLOGIES CORPORATION 401(K) SAVINGS PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 ENGAGE TECHNOLOGIES CORPORATION	D Employer Identification Number (EIN) 36-4580303

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
FIDELITY INVESTMENTS INSTITUTIONAL
04-2647786

(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)

CHRISTENSEN GROUP FINANCIAL LLC

87-4130828

(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?
27	ADVISOR	32313	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

(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?
37 60 64 65	RECORDKEEPER	15619	Yes ☒ No ☐	Yes ☒ No ☐	0	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
FIDELITY INVESTMENTS INSTITUTIONAL	60	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.	
AM CENT EMG MKTS INV - AMERICAN CE 44-0619208	0.35%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	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.	
AM CENT MDCPVAL INV - AMERICAN CEN 44-0619208	0.35%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	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.	
GALLIARD STBLE RTN M 800 LASALLE AVENUE SUITE 1400 MINNEAPOLIS, MN 55402	0.25%	

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
FIDELITY INVESTMENTS INSTITUTIONAL	60	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.
J H ENTERPRISE T - JANUS HENDERSON 151 DETROIT STREET DENVER, CO 80206	0.35%

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	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.
PGIM TOTAL RTN BD A - PRUDENTIAL M 22-3703799	0.50%

(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 2022 This Form is Open to Public Inspection.
	For calendar plan year 2022 or fiscal plan year beginning 10/01/2022 and ending 09/30/2023	

A Name of plan ENGAGE TECHNOLOGIES CORPORATION 401(K) SAVINGS PLAN		B Three-digit plan number (PN) ►	001
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 ENGAGE TECHNOLOGIES CORPORATION		D Employer Identification Number (EIN) 36-4580303	

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)		
a Name of MTIA, CCT, PSA, or 103-12 IE: GALLIARD STBLE RTN M			
b Name of sponsor of entity listed in (a): WELLS FARGO BANK, N.A.			
c EIN-PN 94-6751924-001	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0	
a Name of MTIA, CCT, PSA, or 103-12 IE: GALLIARD STBLE RTN C			
b Name of sponsor of entity listed in (a): WELLS FARGO BANK, N.A.			
c EIN-PN 52-2250946-001	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 585499	
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)	
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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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 2022 This Form is Open to Public Inspection
For calendar plan year 2022 or fiscal plan year beginning <u>10/01/2022</u> and ending <u>09/30/2023</u>		
A Name of plan <u>ENGAGE TECHNOLOGIES CORPORATION 401(K) SAVINGS PLAN</u>	B Three-digit plan number (PN) ►	<u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>ENGAGE TECHNOLOGIES CORPORATION</u>	D Employer Identification Number (EIN) <u>36-4580303</u>	

Part I	Asset and Liability Statement		
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	0	0
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	0	0
(2) Participant contributions.....	1b(2)	0	0
(3) Other.....	1b(3)	0	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)	83503	113140
(2) U.S. Government securities	1c(2)	0	0
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)	0	0
(B) All other	1c(3)(B)	0	0
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)	0	0
(B) Common.....	1c(4)(B)	0	0
(5) Partnership/joint venture interests	1c(5)	0	0
(6) Real estate (other than employer real property)	1c(6)	0	0
(7) Loans (other than to participants).....	1c(7)	0	0
(8) Participant loans.....	1c(8)	75287	74571
(9) Value of interest in common/collective trusts.....	1c(9)	498000	585499
(10) Value of interest in pooled separate accounts	1c(10)	0	0
(11) Value of interest in master trust investment accounts.....	1c(11)	0	0
(12) Value of interest in 103-12 investment entities	1c(12)	0	0
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	10889953	13759318
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)	0	0
(15) Other	1c(15)	0	0

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	0	0
(2) Employer real property	1d(2)	0	0
e Buildings and other property used in plan operation	1e	0	0
f Total assets (add all amounts in lines 1a through 1e)	1f	11546743	14532528

Liabilities

g Benefit claims payable	1g	0	0
h Operating payables	1h	0	0
i Acquisition indebtedness	1i	0	0
j Other liabilities	1j	0	0
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	11546743	14532528
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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.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	292823	
(B) Participants	2a(1)(B)	1245535	
(C) Others (including rollovers)	2a(1)(C)	634886	
(2) Noncash contributions	2a(2)	0	
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		2173244
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	4175	
(B) U.S. Government securities	2b(1)(B)	0	
(C) Corporate debt instruments	2b(1)(C)	0	
(D) Loans (other than to participants)	2b(1)(D)	0	
(E) Participant loans	2b(1)(E)	3633	
(F) Other	2b(1)(F)	0	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		7808
(2) Dividends: (A) Preferred stock	2b(2)(A)	0	
(B) Common stock	2b(2)(B)	0	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	576138	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		576138
(3) Rents	2b(3)		0
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	0	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	0	
(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)	0	
(B) Other	2b(5)(B)	0	
(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)		12413
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		0
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		1242720
c Other income	2c		0
d Total income. Add all income amounts in column (b) and enter total	2d		4012323
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	978606	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		978606
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions)	2g		0
h Interest expense	2h		0
i Administrative expenses: (1) Professional fees	2i(1)	0	
(2) Contract administrator fees	2i(2)	0	
(3) Investment advisory and management fees	2i(3)	0	
(4) Other	2i(4)	47932	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		47932
j Total expenses. Add all expense amounts in column (b) and enter total	2j		1026538
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		2985785
l Transfers of assets:			
(1) To this plan	2l(1)		0
(2) From this plan	2l(2)		0

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: **DS&B, LTD**

(2) EIN: **41-1475695**

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		500000
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		X	

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 2022 This Form is Open to Public Inspection.
For calendar plan year 2022 or fiscal plan year beginning 10/01/2022 and ending 09/30/2023		
A Name of plan ENGAGE TECHNOLOGIES CORPORATION 401(K) SAVINGS PLAN		B Three-digit plan number (PN) 001
C Plan sponsor's name as shown on line 2a of Form 5500 ENGAGE TECHNOLOGIES CORPORATION		D Employer Identification Number (EIN) 36-4580303
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): 04-6568107		
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) 2022 v. 220413		

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (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:	14a		
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).....		14b	
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)			14c
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)			
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 _____



June 14, 2024

Plan Administrator and Trustees

Engage Technologies Corporation 401(k) Savings Plan
Khoua Yang
7041 Boone Ave North
Brooklyn Park, MN 55428

We have audited the financial statements of Engage Technologies Corporation 401(k) Savings Plan, an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), as permitted by ERISA Section 103(a)(3)(C) for the year ended September 30, 2023 and we will issue our report thereon dated June 9, 2023. As permitted by ERISA Section 103(a)(3)(C), our audit did not extend to any statements or information related to assets held for investment of the Plan (investment information) by Fidelity Management Trust Company, the trustee, which is a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency, that prepared and certified the statements or information regarding assets so held in accordance with 29 CFR 2520.103-5. Our audit did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the financial statements and ERISA-required supplemental schedules, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of GAAP. Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with GAAP. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 21, 2023. Professional standards also require that we communicate to you the following information related to our audit.



Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Form 5500 Procedures

We are required to obtain and read a substantially complete draft of Form 5500 prior to dating our auditor's report. The purpose of this procedure is to identify any material inconsistencies between the draft Form 5500 and the Plan's financial statements. We identified no material inconsistencies in performing and completing our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. There were no misstatements identified as a result of audit procedures. The following material misstatements detected as a result of audit procedures were corrected by management:



June 14, 2024

	Debit (Credit)			Changes in Net Assets Available for Benefits
	Assets	Liabilities	Net Assets	
Record current year corrective employer contribution receivable	\$ 1,841	\$ -	\$ -	\$ (1,841)
	\$ 1,841	-	-	\$ (1,841)

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Other Matters

Our responsibility for the ERISA-required supplemental schedule accompanying the financial statements is to perform adequate procedures to evaluate whether the form and content of the ERISA-required supplemental schedule, other than that agreed to or derived from the certified investment information, is presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA, and whether the information in the supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Internal Control

Except as discussed in the following paragraph, in planning and performing our audit of the financial statements of the Plan as of and for the year ended September 30, 2023 in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of issuing our report on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.



June 14, 2024

We were engaged to perform an ERISA Section 103(a)(3)(C) audit of those financial statements as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. As permitted by ERISA Section 103(a)(3)(C), our audit did not extend to any statements or information related to assets held for investment of the Plan (investment information) by Reliance Trust Company that prepared and certified the statements or information regarding assets so held in accordance with 29 CFR 2520.103-5. Our audit also did not include a consideration of internal control relating to the investment information.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Plan's financial statement will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Plan's internal control to be a significant deficiency:

- The Plan's management is responsible for ensuring the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Although the Plan's financial statements were prepared by the audit team, the audit team cannot be considered to be a part of the Plan's internal control, which includes preparing the Plan's financial statements. While it is simply not cost beneficial for the plan this size to recruit and retain personnel with sufficient experience and skill in accounting and financial reporting to adequately address these deficiencies in the internal control, you should be aware of this condition.



June 14, 2024

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. The following matters were discussed with you:

- During the course of the audit, we found that the forfeitures balance has been accumulating and not being used. The Plan calls for forfeitures to be used to offset plan expenses. We recommend that Plan management use the forfeitures to offset plan expenses in a timely manner.
- During the course of the audit, we found a participant who had not received any employer match while they were eligible to receive it. We recommend that Plan management reviews contributions to ensure the correct amounts are being submitted to the plan.

This information is intended solely for the use of the Board of Directors and management of the Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

DSB Rock/Island



CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

ENGAGE TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

SEPTEMBER 30, 2023 AND 2022



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Independent Auditor's Report

Board of Directors
Engage Technologies Corporation and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Engage Technologies Corporation (a Minnesota corporation) and Subsidiaries, and variable interest entities (corporations, a limited liability company, and an IC-DISC), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Engage Technologies Corporation and Subsidiaries as of September 30, 2023 and 2022, 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. 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 Engage Technologies Corporation and Subsidiaries 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 Consolidated Financial Statements

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



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Engage Technologies Corporation and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Engage Technologies Corporation and Subsidiaries' internal control. Accordingly, no opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Engage Technologies Corporation and Subsidiaries' 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.

DSB Rock|Island

Mendota Heights, Minnesota
December 15, 2023



Engage Technologies Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

September 30

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	\$ 304,987	\$ 300,981
Receivables		
Trade, less allowance for doubtful accounts of \$180,000 and \$215,000, respectively	5,413,032	6,015,724
Net investment in leases receivable - current portion	26,025	48,335
Inventories, less a reserve of \$651,000 and \$680,000, respectively	13,854,558	13,572,770
Prepaid expenses	590,699	933,611
Prepaid income taxes	-	112,726
Total current assets	20,189,301	20,984,147
EQUIPMENT AND LEASEHOLD IMPROVEMENTS - AT COST		
Production equipment	2,004,853	1,999,374
Computer equipment and software	1,216,414	1,175,321
Office equipment and furniture	464,903	454,338
Leasehold improvements	2,385,700	2,183,512
	6,071,870	5,812,545
Less accumulated depreciation and amortization	4,900,160	4,576,352
	1,171,710	1,236,193
OTHER ASSETS		
Net investment in leases receivable - less current portion	4,496	30,521
Goodwill, less accumulated amortization and impairment of \$1,314,721 and \$1,156,810, respectively	321,735	482,977
Distribution rights	97,200	97,200
Operating lease right of use assets, net	6,660,120	-
Patents, less accumulated amortization of \$76,817 and \$69,252, respectively	55,053	58,656
Tax deposit	1,838	178,690
Net deferred tax asset	1,499,000	852,600
Deposits	53,344	60,664
	8,692,786	1,761,308
	\$ 30,053,797	\$ 23,981,648

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2023	2022
CURRENT LIABILITIES		
Note payable to bank	\$ 2,850,000	\$ 3,750,000
Current maturities of long-term obligations	1,110,002	1,091,000
Current maturities of operating lease liabilities	840,941	-
Accounts payable	2,225,567	3,057,182
Customer deposits	439,239	365,265
Accrued liabilities		
Compensation	1,727,562	2,388,275
Sales tax	12,455	43,815
Warranty	160,000	135,000
Other	171,954	170,438
Income tax payable	275,000	-
Total current liabilities	9,812,720	11,000,975
LONG-TERM OBLIGATIONS, less current maturities	6,088,105	7,195,340
OPERATING LEASE LIABILITIES, less current maturities	6,063,152	-
DEFERRED COMPENSATION, less current maturities	450,999	622,000
DEFERRED RENT	-	160,754
NET DEFERRED INCOME TAX LIABILITY	130,000	-
STOCKHOLDERS' EQUITY		
Common stock - voting: authorized, 100,000,000		
shares of \$0.01 par value; issued and outstanding		
4,243,231 shares	42,432	42,432
Common stock - non-voting: authorized, 50,000,000		
shares of \$0.01 par value; issued and outstanding		
0 shares	-	-
Members' equity	3,100	3,100
Additional contributed capital	438,090	438,712
Retained earnings	7,235,856	4,674,358
Accumulated other comprehensive loss	(210,657)	(156,023)
	7,508,821	5,002,579
	\$ 30,053,797	\$ 23,981,648

Engage Technologies Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended September 30

	<u>2023</u>	<u>2022</u>
Net sales	\$ 48,767,682	\$ 52,190,489
Cost of sales	<u>29,335,093</u>	<u>32,008,739</u>
Gross profit	19,432,589	20,181,750
Operating expenses		
Marketing and sales	7,600,085	7,452,308
General and administrative	6,057,652	6,411,375
Research and development	<u>2,226,500</u>	<u>2,013,717</u>
	<u>15,884,237</u>	<u>15,877,400</u>
Operating profit	3,548,352	4,304,350
Other income (deductions)		
Interest expense	(713,315)	(548,579)
Interest income	6,939	9,369
Gain on sale of asset	833	-
Sundry	<u>(26,401)</u>	<u>(13,271)</u>
	<u>(731,944)</u>	<u>(552,481)</u>
Earnings before income taxes	2,816,408	3,751,869
Income tax expense	<u>245,117</u>	<u>660,922</u>
NET EARNINGS	2,571,291	3,090,947
Other comprehensive income (loss)		
Foreign currency translation	<u>(54,634)</u>	<u>(127,557)</u>
Comprehensive income	\$ <u><u>2,516,657</u></u>	\$ <u><u>2,963,390</u></u>

The accompanying notes are an integral part of these statements.

Engage Technologies Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Years ended September 30, 2023 and 2022

	Common stock		Members' equity	Additional contributed capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
	Shares	Amount					
Balance at September 30, 2021	4,243,231	\$ 42,432	\$ 3,100	\$ 424,033	\$ 2,166,923	\$ (28,466)	\$ 2,608,022
Comprehensive income	-	-	-	-	3,090,947	(127,557)	2,963,390
Stock-based compensation	-	-	-	14,679	-	-	14,679
Distributions	-	-	-	-	(583,512)	-	(583,512)
Balance at September 30, 2022	4,243,231	42,432	3,100	438,712	4,674,358	(156,023)	5,002,579
Comprehensive income (loss)	-	-	-	-	2,571,291	(54,634)	2,516,657
Stock-based compensation	-	-	-	(622)	-	-	(622)
Distributions	-	-	-	-	(9,793)	-	(9,793)
Balance at September 30, 2023	<u>4,243,231</u>	<u>\$ 42,432</u>	<u>\$ 3,100</u>	<u>\$ 438,090</u>	<u>\$ 7,235,856</u>	<u>\$ (210,657)</u>	<u>\$ 7,508,821</u>

The accompanying notes are an integral part of these statement.

Engage Technologies Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30

	2023	2022
Increase (Decrease) in Cash		
Cash flows from operating activities		
Net earnings	\$ 2,571,291	\$ 3,090,947
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Provision for bad debts	(35,000)	55,000
Inventory reserve	(29,000)	70,000
Depreciation and amortization of equipment and leasehold improvements	340,338	292,066
Amortization of goodwill and patents	169,087	168,816
Gain on sale of equipment	(833)	-
Warranty	25,000	35,000
Forfeit of incentive stock options	(18,642)	-
Deferred compensation	(105,073)	198,000
Deferred rent	-	21,927
Deferred income taxes	(516,400)	237,500
Senior management incentive program	30,720	19,187
Stock compensation	2,400	3,567
Net change in operating lease liabilities	83,219	-
Changes in current assets and liabilities:		
Receivables - trade	637,692	(1,432,960)
Net investment in leases receivable	48,335	22,497
Inventories	(252,788)	(3,246,012)
Prepaid expenses	342,912	(260,554)
Prepaid income taxes	112,726	(112,726)
Tax deposit	176,852	(178,690)
Accounts payable	(831,615)	545,368
Customer deposits	73,974	(256,418)
Accrued liabilities	(705,657)	601,473
Income tax payable	275,000	(102,532)
Deferred compensation	(65,928)	(1,252,000)
Deferred rent	-	(19,318)
Net cash provided by (used in) operating activities	2,328,610	(1,499,862)
Cash flows from investing activities		
Proceeds on sale of equipment	17,485	-
Capital expenditures	(294,164)	(700,673)
Patents	(3,961)	(6,553)
Other - Deposits	7,320	(21,737)
Net cash used in investing activities	(273,320)	(728,963)

The accompanying notes are an integral part of these statements.

Engage Technologies Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended September 30

	<u>2023</u>	<u>2022</u>
Cash flows from financing activities		
Net change in note payable to bank	\$ (900,000)	\$ 2,475,000
Proceeds from issuance of long-term obligations	-	286,250
Payments on long-term obligations	(1,088,233)	(1,019,295)
Distributions	<u>(9,793)</u>	<u>(583,512)</u>
Net cash (used in) provided by financing activities	(1,998,026)	1,158,443
Effect of foreign currency exchange rate changes	<u>(53,258)</u>	<u>(124,168)</u>
NET INCREASE (DECREASE) IN CASH	4,006	(1,194,550)
Cash, beginning of year	<u>300,981</u>	<u>1,495,531</u>
Cash, end of year	\$ <u><u>304,987</u></u>	\$ <u><u>300,981</u></u>

The accompanying notes are an integral part of these statements.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Engage Technologies Corporation, subsidiaries, and its variable interest entities (collectively the Company) manufacture ink, printers, case tapers, L-sealers, sleeve wrappers, shrink tunnels and bundling equipment for use in the packaging industry. In addition, the Company provides shrink sleeve labelers, heat shrink tunnels, full body labels, and tamper evident seals. Sales to customers outside of the United States of America totaled approximately \$7,105,000 (14.3%) and \$10,417,000 (19.9%) during the years ended September 30, 2023 and 2022, respectively.

Summary of Significant Accounting Policies

1. Basis of Presentation

The consolidated financial statements include Engage Technologies Corporation (Engage) and its wholly-owned subsidiaries, Shanghai Squid Ink Manufacturing, Inc., a China corporation, Squid Ink Manufacturing Europe, B.V., a Netherlands corporation. The consolidated financial statements include the Company's variable interest entity, Engage Technologies International Sales Company, LLC (the LLC), a Minnesota Limited Liability Company and its wholly-owned subsidiary, Engage Technologies International Sales Corp., an IC-DISC (the IC-DISC). The IC-DISC operates as a sales division to foreign customers. All intercompany transactions and balances have been eliminated.

2. Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). FASB Accounting Standards Codification (ASC) 842 supersedes the lease requirements in FASB ASC 840. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the balance sheet for operating leases.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Recently Adopted Accounting Standards - Continued

The Company did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to retained earnings as of October 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. The adoption of Topic 842 did not result in any material adjustments to balance sheet accounts related to lessor accounting. As a lessee, the most significant effects of adopting FASB ASC 842 was the recognition of \$7,570,172 of operating lease Right of Use (ROU) assets and a total of \$7,729,431 of current and long-term operating lease liabilities, and derecognized \$160,754 of deferred rent on the balance sheet as of October 1, 2022. No cumulative effect adjustment to retained earnings as of October 1, 2022 was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended September 30, 2023.

As part of the transition, the Company implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

Package of practical expedients available to lessees and lessors:

- Election not to reassess whether any expired or existing contracts are or contain leases
- Election not to reassess the lease classification for any expired or existing leases
- Election not to reassess initial direct costs on any existing leases

Other practical expedients:

- Election whereby the lease and non-lease components will not be separated for leases of real estate or equipment.
- Election not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs.
- For lessors, the election to exclude sales and use taxes collected from customers from the transaction price.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

3. Cash

The Company maintains cash balances primarily in two financial institutions located in Minnesota. At times, these cash balances may exceed the federally insured limits. The Company has not experienced any losses on its cash deposits.

4. Accounts Receivable

Accounts receivable is composed principally of trade accounts receivable that arise primarily from the sale of goods or services on account and are stated at historical cost. Trade accounts receivable are recorded at the invoiced amount and do not bear interest.

Allowances for doubtful accounts are based on accounts receivable balance, historical trends, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss including length of time receivables are past due, customer payment histories, customer leverage, and availability of third-party financing. In circumstances where the Company is made aware of a specific customer's inability to meet its financial obligations, a specific allowance is established. The establishment of reserves requires the use of judgment and assumptions regarding the potential for losses on receivable balances. Actual collections of accounts receivable could differ from management's estimates due to changes in future economic industry or customers' financial conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

5. Inventories

Inventories are valued at the lower of cost or net realizable value with cost determined using the first-in, first-out method.

The following is a summary of inventories:

	September 30,	
	2023	2022
Raw materials	\$ 11,774,441	\$ 11,858,340
Finished goods	2,731,117	2,394,430
Reserve	(651,000)	(680,000)
	<u>\$ 13,854,558</u>	<u>\$ 13,572,770</u>

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

5. Inventories - Continued

As a result of recent changes in demand for certain products, charges to the results of comprehensive income for changes in estimates of the obsolescence reserve totaled (\$29,000) and \$70,000 for the years ended September 30, 2023 and 2022, respectively.

6. Depreciation and Amortization

Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are primarily amortized over the shorter of the service lives of the improvements or the lease term. The straight-line method of depreciation and amortization is primarily followed for consolidated financial reporting purposes, while accelerated methods are used for income tax purposes. The estimated service lives used for consolidated financial reporting purposes are as follows:

	<u>Years</u>
Production equipment	2 – 7
Computer equipment and software	3 – 5
Office equipment and furniture	5 – 7
Leasehold improvements	3 – 10

7. Long-Lived Assets

The Company periodically evaluates the net realizable value of long-lived assets including equipment and leasehold improvements, and patents, relying on a number of factors including operating results, business plans and economic projections, and anticipated future cash flows. An impairment in the carrying value of an asset is recognized when the fair value of the asset is less than its carrying value.

8. Intangible Assets

Goodwill

Goodwill is amortized on the straight-line method over 10 years unless a shorter useful life can be demonstrated. The amortization period assigned to goodwill is 10 years.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Intangible Assets - Continued

Goodwill - Continued

Changes in the gross carrying amounts of goodwill and accumulated amortization for the years ended September 30, 2023 and 2022, are as follows:

	2023	2022
Goodwill:		
Balance at beginning of year	\$ 1,639,786	\$ 1,645,112
Foreign currency effects	(3,330)	(5,325)
Balance at end of year	<u>\$ 1,636,456</u>	<u>\$ 1,639,787</u>
Accumulated amortization of goodwill:		
Balance at beginning of year	\$ 1,156,810	\$ 998,774
Foreign currency effects	(3,612)	(3,452)
Amortization expense	161,523	161,488
Balance at end of year	<u>\$ 1,314,721</u>	<u>\$ 1,156,810</u>

Distribution Rights

Distribution rights are considered to be an intangible asset with an indefinite useful life. Therefore, no amortization related to these rights was recorded during the years ended September 30, 2023 and 2022. The Company evaluated the distribution rights and believes that no material impairment exists as of September 30, 2023 and 2022.

Patents

Completed, approved patents totaled approximately \$132,000 and \$128,000, as of September 30, 2023 and 2022, respectively, and are being amortized over 15 years.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Intangible Assets - Continued

Patents – Continued

The estimated aggregate amortization of goodwill and patents for the five years following September 30, 2023 is approximately as follows:

Years ending September 30.

2024	\$	169,000
2025		169,000
2026		8,000
2027		8,000
2028		8,000

9. Revenue Recognition

Revenue is recognized when or as a performance obligation is satisfied by transferring control of a product or service to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the product or service.

The Company's revenue consists primarily of sales of ink, printers, case tapers, L-sealers, sleeve wrappers, shrink tunnels and bundling equipment for use in the packaging industry. Revenue is recognized when the performance obligation under the contract terms with a customer are satisfied. This occurs upon the transfer of control of the products at a specific point in time when the customer takes title to the goods and assumes the risks and rewards for the goods, which generally occurs upon shipment of the order.

Interest income on finance receivables is deferred and then amortized to revenue using the effective interest method over the life of the finance receivables.

Shipping and handling fees billed to a customer are recorded on a gross basis in "Net sales" with the corresponding shipping and handling costs included in "Cost of sales" in the concurrent period as the revenue is recorded. Sales commissions are expensed as incurred as the amortization period is one year or less. Sales commissions are recorded in "Operating expenses." Sales and other taxes collected from customers are excluded from sales.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

10. Leases

The Company accounts for leases in accordance with FASB ASC 842. The Company is a lessor of printing equipment, and a lessee in several noncancellable real estate operating leases and office equipment.

At lease inception, the Company determines whether an arrangement qualifies as a lease under ASC 842 (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration). The Company only reassesses if the terms and conditions of the contract are changed. For both lessor and lessee lease arrangements, lease contracts are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as sales-type, direct-financing, or operating leases as the lessor, or classified as operating leases or finance leases as the lessee. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed.

Lessee Lease Liabilities

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Company uses the risk-free rate. The implicit rate of the Company's lease is not readily determinable; accordingly, the Company uses the risk-free discount rate from the U.S. Department of the Treasury at the commencement date of each lease.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Leases - Continued

Lessee ROU Assets

An ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued lease payments, less the unamortized balance of lease incentives received). Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Lessee Accounting Policy Election for Short-Term Leases

The Company has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

11. Warranty Obligations

Certain products of the Company are generally under warranty for a one or two-year period, depending on the product. An analysis of warranty reserves for product warranties is performed on a regular basis by reviewing the status of new product introductions, trends of warranty expense, and internal management information to identify known or potential defects and the estimated warranty exposure.

12. Advertising and Promotion

Advertising and promotional costs are expensed as incurred. Advertising and promotion expense is approximately \$311,000 and \$278,000 for the years ended September 30, 2023 and 2022, respectively.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

13. Research and Development

All research and development costs are charged to operations as incurred.

14. Income Taxes

Engage is a corporation and provides for income taxes based on income reported for financial reporting purposes. Certain charges to earnings differ as to timing from those deducted for tax purposes; these relate primarily to allowances for accounts receivable and inventory, depreciation, amortization, and certain accrued compensation and bonuses. The cumulative tax effects of these differences are recorded as net deferred income taxes.

Shanghai Squid Ink Manufacturing, Inc. is a taxable China corporation and Squid Ink Manufacturing Europe, B.V. is a taxable Netherlands corporation. A provision has been made for income taxes related to these corporations.

Engage Technologies International Sales Company, LLC is a limited liability company. Earnings of the LLC will be included in the personal income tax returns of the members. Accordingly, no provision has been made for income taxes related to the LLC.

Engage Technologies International Sales Corp. is an IC-DISC and is a non-taxable entity. Accordingly, no provision has been made for income taxes related to this entity.

The Company's policy is to evaluate the likelihood that any uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence. It is the opinion of management that the Company has no significant uncertain tax positions that would be subject to change upon examination. The federal and state income tax returns of the Company are subject to examination by the income taxing authorities, generally for three years after they are filed. Interest and penalties, if any, assessed by income taxing authorities, will be recorded in general and administrative expenses.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

15. Foreign Currency

The financial statements of the foreign subsidiaries are translated into U.S. dollars. Assets and liabilities are translated at the year-end exchange rates and income and expense items are translated at average exchange rates for the year. The resulting cumulative translation adjustments are recorded directly to stockholders' equity (deficit) as accumulated other comprehensive income or loss. Gains and losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables, are included in the consolidated statements of comprehensive income.

16. Stock-Based Compensation

The Company accounts for share-based payments granted to employees and directors using the modified prospective method, which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model, which requires the input of highly subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them (the "expected option term"), the estimated volatility of the common stock price over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield.

17. Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. As of September 30, 2023 and 2022, particularly sensitive estimates made by the Company included the value of goodwill and other intangible assets, accounts receivable and inventory allowances, accrued warranty obligations, accrued stock compensation, and deferred compensation. Actual results could differ from those estimates.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE B – CONTRACT BALANCES

Balances for accounts receivable, net of allowance for doubtful accounts, net investment in leases receivable, and customer deposits arising from contracts with customers are as follows:

Balance as of September 30,	2023	2022	2021
Accounts receivable, net	\$ 5,413,032	\$ 6,015,724	\$ 4,637,764
Net investment in leases receivable	30,521	78,856	101,353
Customer deposits	439,239	365,265	621,683

NOTE C – LESSOR ACTIVITIES

The Company's lessor activities consist of leasing printer equipment under leases with terms of up to three years. The leases offer the option to transfer ownership at the conclusion of the lease for one dollar. At the lease's inception, the Company estimates the residual value expected from the leased asset at the end of the lease term based on assessment of likelihood of purchase option, the expected useful lives of the printers and expected market conditions for the customer base.

The Company provides financing under the lease agreement only when acceptable criteria are met. Credit decisions are based on, among other things, the customer's credit history, financial strength and intended use of equipment. The Company typically maintains a security interest in financed equipment and requires physical damage insurance coverage on financed equipment. There were no allowances for credit losses for the years ended September 30, 2023 and 2022.

Interest income on lease receivables is reflected within total interest income on the accompanying consolidated statement of operations.

As of September 30, 2023, the future maturities of lease receivables are as follows:

<u>Years ending September 30,</u>	
2024	\$ 26,025
2025	4,496
Total undiscounted cash flows	30,521
Less amount representing interest	(1,618)
Present value of net minimum lease payments	\$ 28,903

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE D - LESSEE ACTIVITIES

The Company leases its office, manufacturing and warehousing facilities in Minnesota under non-cancellable operating leases with four limited liability companies which are owned by the majority stockholder of the Company, who is also the Chief Executive Officer (CEO). These leases expire on various dates through 2026, and each contain a five-year renewal period, which the Company intends to exercise, and as such, the renewal periods are included in the balance of the lease liability. The leases require the Company to pay property taxes, maintenance, insurance, and other occupancy expenses applicable to the leased premises, which are excluded from the lease liability.

The Company leases office, manufacturing and warehousing facilities in China and the Netherlands, under non-cancellable operating leases expiring through 2028. There are no options to extend or terminate the lease early that management is reasonably certain to exercise. The leases require the Company to pay various occupancy expenses applicable to the leased premises, which are excluded from the lease liability.

The Company also leases office equipment under a non-cancellable operating lease expiring in 2025. There are no options to extend or terminate the lease early that management is reasonably certain to exercise.

The following summarizes the line items in the consolidated balance sheet which include amounts for operating leases as of September 30, 2023:

Operating lease right of use assets	\$	<u>6,660,120</u>
Current maturities of operating lease liabilities	\$	840,941
Operating lease liabilities, less current maturities		<u>6,063,152</u>
Total operating lease liabilities	\$	<u>6,904,093</u>

The following summarizes the weighted average remaining lease term and discount rate for operating leases as of September 30, 2023:

Weighted Average Remaining Lease Term	6.38 years
Weighted Average Discount Rate	3.97%

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE D - LESSEE ACTIVITIES - CONTINUED

The maturities of operating lease liabilities as of September 30, 2023 are as follows:

<u>Years ending September 30,</u>	
2024	\$ 1,145,185
2025	1,150,995
2026	1,130,158
2027	1,167,357
2028	1,197,049
Thereafter	<u>2,086,028</u>
Total lease payments	7,876,772
Less: interest	<u>(972,679)</u>
Present value of lease liabilities	\$ <u>6,904,093</u>

The following summarizes the line items in the consolidated statement of comprehensive income which include the components of lease expense for the year ended September 30, 2023:

Operating lease expense included in cost of sales and general and administrative expenses	\$ <u>1,192,789</u>
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The following summarizes cash flow information related to leases for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ <u>1,108,074</u>
Lease assets obtained in exchange for lease obligations:	
Operating leases	\$ <u>7,570,171</u>

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE D - LESSEE ACTIVITIES - CONTINUED

Supplemental information for comparative period

Future minimum lease payments for operating leases accounted for under FASB ASC 840 with a remaining non-cancellable lease terms in excess of one year as of September 30, 2022, and prior to the adoption of FASB ASC 842, were approximately as follows:

<u>Years ending December 31,</u>	
2023	\$ 1,120,000
2024	1,121,000
2025	1,137,000
2026	319,000
2027	<u>80,000</u>
	<u>\$ 3,777,000</u>

Rent expense under operating leases was approximately \$1,347,000 for the year ended September 30, 2022.

NOTE E - CONCENTRATIONS OF RISK

The Company had sales to and receivables outstanding from significant customers as follows for the years ended September 30:

<u>Customer</u>	<u>Percentage of Annual Revenues</u>		<u>Percentage of Year-End Accounts Receivable</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
A	*	*	*	14.8%
*less than 10%				

NOTE F - NOTE PAYABLE TO BANK

The Company has a line of credit agreement with a bank that expires on January 24, 2024, and provides for borrowings of up to \$6,000,000, as amended. The interest rate is the bank's base rate (effective rate of 7.50% and 6.25% as of September 30, 2023 and 2022, respectively). The line of credit is guaranteed by the Company's majority stockholder of the Company and is collateralized by substantially all of the Company's assets. In addition, the Company is required to maintain certain financial covenants.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE G - LONG-TERM OBLIGATIONS

Long-term obligations consist of the following:

	<u>2023</u>	<u>2022</u>
Bank term note payable in monthly installments of \$1,205 including interest at 4.5%; collateralized by certain equipment; final payment due in March 2023	\$ -	\$ 7,100
Bank term note payable in monthly installments of \$2,570 including interest at 4.00%; collateralized by certain equipment; final payment due in March 2023	-	15,284
Bank term note payable in monthly installments of \$950 including interest at 4.75%; collateralized by certain equipment; final payment due in May 2023	-	7,344
Bank term note payable in monthly installments of \$48,100 including interest at 5.125% until October 2023; see additional terms below	2,583,631	3,017,435
Term note payable to stockholder in quarterly installments of \$188,000 including interest at 5%; collateralized by all assets of the Company; final payment due in October 2030	4,387,763	4,899,070
Bank term note payable in monthly installments of \$1,375 including interest at 3.7%; collateralized by all assets of the Company; final payment due in June 2025	28,023	43,178
Financial institution term note payable in monthly installments of \$1,210 including interest at 3.24%; collateralized by a vehicle; final payment due in August 2026	40,359	53,343
Term note payable to related party in monthly installments of \$9,069 including interest at the prime rate plus 5.5% (effective rate of 8.75% and 11.75% as of September 30, 2023 and 2022); final payment due in March 2025	<u>158,331</u>	<u>243,586</u>
	\$ 7,198,107	\$ 8,286,340
Less current portion	<u>1,110,002</u>	<u>1,091,000</u>
	<u>\$ 6,088,105</u>	<u>\$ 7,195,340</u>

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE G - LONG-TERM OBLIGATIONS - CONTINUED

A bank term note payable allows for borrowings up to \$4,502,793, payable in monthly installments of \$48,100 including interest at 5.125% until October 2023, after which interest will be at 2.2% above the five-year fixed rate but not less than 5.125%. The note is collateralized by substantially all the assets of the Company and guaranteed by the Company's majority stockholder and subject to certain financial covenants. The final payment is due in October 2028.

As of September 30, 2023, the future 5-year maturities of long-term obligations are approximately as follows:

Years ending September 30,

2024	\$ 1,110,002
2025	1,124,600
2026	1,109,200
2027	1,153,100
2028	1,213,000

NOTE H - RELATED PARTIES

The Company leases four facilities from limited liability companies which are owned by the majority stockholder of the Company who is the Chief Executive Officer (CEO). Total related party rent expense for these facilities was approximately \$1,148,000 and \$940,000 for the years ended September 30, 2023 and 2022, respectively.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE I – INCOME TAXES

The components of the income tax expense (benefit) for the years ended September 30, 2023 and 2022 is approximately as follows:

	<u>2023</u>	<u>2022</u>
Current		
Federal	\$ 694,000	\$ 265,000
State	68,700	154,800
Foreign	<u>(1,300)</u>	<u>3,700</u>
	761,400	423,500
Deferred	<u>(516,400)</u>	<u>237,500</u>
	<u>\$ 245,000</u>	<u>\$ 661,000</u>

A reconciliation of the difference between income tax expense (benefit) and the amount computed by applying the statutory federal income tax rates to earnings before income taxes and other comprehensive income is approximately as follows for the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Federal income tax at federal statutory rate	\$ 591,400	\$ 787,900
State taxes, less federal tax benefit	178,000	300,200
Permanent differences	(349,200)	(312,800)
Change in estimates and other	<u>(175,200)</u>	<u>(114,300)</u>
	<u>\$ 245,000</u>	<u>\$ 661,000</u>

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE I – INCOME TAXES - CONTINUED

Deferred income taxes are the result of temporary differences in recognition of income and expense for financial statement and income tax reporting. The sources of these differences and the tax effect of each are approximately as follows as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Deferred tax assets (liabilities)		
Accounts receivable allowance	\$ 52,000	\$ 60,900
Inventory reserves	189,000	302,000
Depreciation of property and equipment	(80,000)	(87,000)
Amortization of intangible assets	25,000	1,800
Accrued liabilities	393,000	216,100
Deferred rent	-	46,600
Lease liabilities	24,000	-
Deferred compensation	130,790	180,400
Stock option compensation expense	129,400	131,800
Research and development	492,000	-
Other	<u>13,810</u>	<u>-</u>
Net deferred tax asset	\$ <u>1,369,000</u>	\$ <u>852,600</u>

The benefits of uncertain tax positions are recorded only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. The Company files income tax returns in the US Federal jurisdiction, and various state and foreign jurisdictions.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. As of September 30, 2023 and 2022, the Company had no accrued interest related to uncertain tax positions. There were no accrued penalties for the years ended September 30, 2023 and 2022.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE J - COMMITMENTS

Employment Agreements

Pursuant to the terms of an employment agreement, the CEO is eligible to receive quarterly and annual bonuses which may aggregate up to twenty (20%) percent of the net pre-tax profits of the Company. For the years ended September 30, 2023 and 2022 bonuses totaled approximately \$780,000 and \$916,000, respectively.

Bonuses included in accrued compensation as of September 30, 2023 and 2022 were approximately \$277,000 and \$340,000, respectively.

Pursuant to the terms of an employment agreement, a certain employee, who is a minority stockholder, will be eligible to receive quarterly bonus awards which may aggregate up to \$24,000 based on defined quotas. The bonuses can increase by 2% for every 1% increase in baseline revenue, as defined. Additionally, an annual bonus can be earned in the amount of 1% of the base salary for every 1% increase in baseline revenue. For the years ended September 30, 2023 and 2022, bonuses under this agreement totaling approximately \$19,100 and \$39,000 were earned, respectively. As of September 30, 2023 and 2022 bonuses totaling approximately \$8,600 and \$23,000 were recorded in accrued compensation, respectively. The initial term of the agreement ends September 30, 2023. After September 30, 2023, the agreement is automatically extended, upon the same terms and conditions, for successive periods of one year until written notice of intention not to extend the term is provided at least 90 days prior to the end of the then current term. After the initial term, the agreement also provides for a post-employment benefit equal to \$200,000, payable upon retirement, subject to certain terms and conditions. The Company recorded \$40,000 in deferred post-employment expense during each of the years ended September 30, 2023 and 2022. Accumulated accrued post-employment benefits included in deferred compensation as of September 30, 2023 and 2022 are \$200,000 and \$160,000, respectively.

NOTE K - PROFIT SHARING

The Company sponsors a defined contribution profit-sharing plan with a 401(k) salary deferral provision. Eligible employees may elect to defer up to 90% of annual eligible compensation, as defined by the plan. The Company provides a 25% match of the employee's contribution up to the maximum allowed by the IRS, per year. The Company's contribution for the years ended September 30, 2023 and 2022 is approximately \$307,000 and \$283,000, respectively.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE L – DEFERRED COMPENSATION

The Company has entered into Phantom Stock agreements with certain employees. Each Phantom Stock unit is valued based on an adjusted EBITDA calculation, as defined in the Phantom Stock agreements. For the years ended September 30, 2023 and 2022, the Company has adjustments to compensation expense of approximately (\$212,000) and \$159,000, respectively, related to vested Phantom Stock units.

Payment to a holder of Phantom Stock units can occur upon death, disability, or retirement and shall be made in cash in equal quarterly installments over a period not to exceed five (5) years, without interest. Payments shall commence within ninety (90) days after the date of termination of the holder's employment, as defined above. The Phantom Stock appreciation rights shall expire, and no amount shall be paid, upon the termination of the employee for cause, as defined. The agreements also include two-year non-compete/non-solicitation provisions. Phantom Stock units vest pursuant to the terms of each Phantom Stock agreement, generally at a rate of 20% per year. Upon sale of the Company, any unvested Phantom Stock units will fully vest. In conjunction with a sale, if the Company exercises its right to call all Phantom Stock units, the price to be paid for each of the phantom stock units shall not exceed the net sale price of common stock of the Company, as defined.

There were 86,456 and 119,224 Phantom Stock units outstanding as of September 30, 2023 and 2022, all of which were fully vested as of the end of each respective period. Shares redeemed during the year ending September 30, 2023 were 32,768.

Bonuses and post-employment benefits related to employment agreements recorded to deferred compensation total \$40,000 and \$970,500 for the years ended September 30, 2023 and 2022, respectively.

NOTE M – SENIOR MANAGEMENT INCENTIVE PROGRAM

The Company provides an incentive bonus program including an annual bonus to be split evenly among selected managers equaling 8.333% of the Company's operating profits in excess of \$2,000,000 for the years ended September 30, 2023 and 2022. The annual bonus for the years ended September 30, 2023 and 2022 is approximately \$205,000 and \$272,000, respectively, and is recorded as a liability in accrued compensation.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE M – SENIOR MANAGEMENT INCENTIVE PROGRAM - CONTINUED

The Company provides for objective based bonuses to certain members of senior management. The Company recorded compensation expense for objective based bonuses totaling \$100,000 and \$110,000 for the years ended September 30, 2023 and 2022, respectively. Objective based bonuses included in accrued compensation as of September 30, 2023 and 2022 is \$112,000 and \$110,000, respectively.

For both elements of the bonus program senior management must be an employee of the Company on both dates the bonuses are granted and paid in order to receive payment. The Company expects to pay these bonuses in December following the fiscal year end.

NOTE N – STOCK COMPENSATION

The Company established the Engage Technologies Corporation 2017 Equity Incentive Plan (the Plan) under which 1,560,815 shares of common stock are reserved for issuance to employees, officers, directors and consultants of the Company at exercise prices which could not be below 100% of fair market value at the date of grant. Classification of Class A ("Voting") or Class B ("Nonvoting") options granted under the Plan are pursuant to the terms of the individual agreements. Options issued under the Plan vest pursuant to the terms of stock option agreements with the individual recipients, which range from three to five years from the date of grant, and are exercisable from then through a period of ten years from the date of grant. Management anticipates the average term of the options will be 7 years.

The Company accounts for any forfeitures of options when they occur. Previously recognized compensation cost for an award is reversed in the period that the award is forfeited. No awards expired unused during the years ended September 30, 2023 and 2022.

The Company has elected to use the calculated value method to account for options awarded to management. Management has determined that it is not possible to reasonably estimate the grant-date fair value of the options because no new stock has been issued for several years and management has been unable to identify a similar publicly-held company that can be used as a benchmark. Management considered a range of public companies within the Company's industry to be representative of the Company's business model, and used the average historical closing total return values for the years preceding the date of grant to estimate volatility. Management has determined that non-voting stock options will be valued at the calculated value, and voting stock options will be valued at 110% of the calculated value, each on a minority basis, of the common stock of the Company. In accordance with the agreements, the calculated value was determined, in part, using the latest valuation or stock price that has been transacted upon as of the date of grant.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE N – STOCK COMPENSATION – CONTINUED

The following is an analysis of options to purchase shares of the Company's common stock issued and outstanding for the year ended September 30, 2023:

	Number of Options			Weighted Average Exercise Price
	Class A	Class B	Total Options	
Outstanding, September 30, 2022	1,060,815	375,000	1,435,815	\$ 2.19
Granted	-	80,000	80,000	3.29
Exercised	-	-	-	3.29
Expired / cancelled	-	(75,000)	(75,000)	2.12
Outstanding, September 30, 2023	<u>1,060,815</u>	<u>380,000</u>	<u>1,440,815</u>	<u>\$ 2.25</u>
Exercisable, September 30, 2023	1,060,815	199,000	1,259,815	\$ 2.18

	Number of Options			Weighted Average Grant Date Fair Value
	Class A	Class B	Total Options	
Nonvested options, September 30, 2021	-	231,000	231,000	\$ 0.37
Granted	-	-	-	-
Vested	-	(57,000)	(57,000)	0.35
Forfeited	-	-	-	-
Nonvested options, September 30, 2022	-	174,000	174,000	\$ 0.37
Granted	-	80,000	80,000	0.94
Vested	-	(67,000)	(67,000)	0.49
Forfeited	-	(6,000)	(6,000)	0.38
Nonvested options, September 30, 2023	<u>-</u>	<u>181,000</u>	<u>181,000</u>	<u>\$ 0.58</u>

Using the Black-Scholes-Merton pricing model, management has determined value per share of the options issued in the year ended as of September 30, 2023 is \$.939, with a total compensation cost of \$75,000, which will be recognized over a five year service period that began at the date of the grant. There were no options issued in the year ended September 30, 2022.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE N - STOCK COMPENSATION - CONTINUED

Compensation cost is recognized over a service period ranging from three to five years that began upon the issuance date of the individual stock option agreements. During the year ended September 30, 2023 and 2022, the Company recognized approximately \$28,000 and \$19,000 as compensation expense and recorded a related deferred tax asset and deferred tax benefit of approximately \$9,000 and \$11,000, related to the agreements, respectively. As a result of forfeited options, the Company derecognized approximately \$19,000 and \$0 in compensation expense in the years ended September 30, 2023 and 2022, respectively. This was reflected within the accompanying consolidated statement of stockholders' equity as a corresponding reduction in additional contributed capital.

The remaining unvested compensation cost will be recognized approximately as follows:

<u>Years ending September 30.</u>		
2024	\$	31,000
2025		31,000
2026		22,000
2027		15,000
	\$	<u>99,000</u>

The assumptions used and the calculated fair value of options are as follows:

Expected dividend yield	0%
Risk-free interest rate	1.12% - 4.08%
Expected life in years	7
Service period in years	3 to 5
Expected volatility	27% - 37.69%
Weighted average calculated value of options granted	\$0.23-\$0.94

The average remaining estimated life of the outstanding options as of September 30, 2023 is approximately 1.21 years.

Engage Technologies Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE O – SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest was approximately \$718,000 and \$553,000 for the years ended September 30, 2023 and 2022, respectively.

Cash paid for income taxes was approximately \$346,000 and \$635,000 for the years ended September 30, 2023 and 2022, respectively.

As a result of stock options vesting during the years ended September 30, 2023 and 2022, accrued compensation totaling approximately \$15,600 and \$11,100 was reclassified to additional contributed capital, respectively and stock compensation expense totaling approximately \$2,400 and \$3,600 was recorded to additional contributed capital, respectively.

NOTE P – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 15, 2023, the date which the consolidated financial statements were available to be issued.