

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-15535

LAKELAND INDUSTRIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)
1525 Perimeter Parkway, Suite 325 Huntsville, AL
(Address of Principal Executive Offices)

13-3115216
(I.R.S. Employer Identification No.)
35806
(Zip Code)

(Registrant's telephone number, including area code) (256) 350-3873

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	LAKE	NASDAQ

Securities registered pursuant to Section 12(g) of the Act:
Not Applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Nonaccelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates as of July 31, 2023 was approximately \$118.8 million. As of April 10, 2024, there were outstanding 7,371,730 shares of common stock, \$0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A of the Security Exchange Act of 1934 are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K.

LAKELAND INDUSTRIES, INC.
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Information Relating to Forward-Looking Statements

This Annual Report on Form 10-K may contain (and verbal statements made by Lakeland Industries, Inc. may contain) "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or future financial performance and involve various assumptions, known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include, but are not limited to, those listed in this report under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this report. In some cases, you can identify forward-looking statements by words such as "may," "will," "should," "expects," "intends," "plans," "objectives," "anticipates," "believes," "estimates," "predicts," "potential" or other comparable words. Actual results, performance or outcomes may differ materially from those expressed or implied by these forward-looking statements and may not align with historical performance and events due to a number of factors, including those discussed in the sections of this report described above. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements, and caution should be exercised against placing undue reliance upon such statements, which are based only on information currently available to us and speak only as of the date hereof. We are under no duty to update publicly any of the forward-looking statements after the date of this report, whether as a result of new information, future events or otherwise, except as required by law.

PART I

Lakeland Industries, Inc. (the "Company" or "Lakeland," "we," "our," or "us") was incorporated in the State of Delaware in 1986. Our executive office is located at 1525 Perimeter Parkway, Suite 325, Huntsville, AL 35806, and our telephone number is (256) 350-3873. Our website is located at www.lakeland.com. Information contained on our website is not part of this report.

ITEM 1. BUSINESS

Overview – Lakeland Industries is a global provider of quality safety products that protect the world's workers, first responders, and communities during the most critical situations. The Company's products, which are governed by rigorous safety standards and regulations, are used to either protect the wearer from their environment or protect a product or process from the wearer in a broad range of markets around the world, including chemical, clean room, energy, fire service, manufacturing, and utility applications. Lakeland's product portfolio includes firefighter protective apparel and accessories, high-end chemical protective suits, limited use/disposable protective clothing, durable woven garments, high visibility clothing, gloves, and protective sleeves.

The Company's strong market position across its focus product categories and markets is supported by continued and increasing investment in its global footprint, particularly owning and operating its own manufacturing facilities acquiring complementary companies or products that expand and enhance product offerings and/or geographic customer territories, and investing in sales and marketing resources in countries around the world. We believe that ownership of manufacturing is the keystone to building a resilient supply chain and providing high-quality products to our customers. Having seven manufacturing locations in seven countries on five continents, coupled with sourcing core raw materials from multiple suppliers in various countries, affords Lakeland with superior manufacturing capabilities and supply chain resilience when compared to our competitors who use contractors. Additionally, our focus on providing customers with best-in-class service includes the strategic location of our sales team members. Lakeland has 95 sales employees located in 24 countries selling into more than 50 countries globally.

Lakeland is committed to protecting the world's workers, first responders, and communities while creating shareholder value. Key elements of our corporate strategy include:

- Creating a high-performance culture driven by our corporate values,
- Investing resources in high-growth geographies and product categories,
- Building a premier global firefighter safety brand through product and marketing enhancements,
- Driving profitable growth in high-end chemical and limited-use/disposable protective clothing through product development, strategic pricing initiatives, channel diversification, and operations optimization, and
- Acquiring companies that improve Lakeland's competitive advantage in focus markets.

On November 30, 2023 the Company acquired New Zealand-based Pacific Helmets NZ Limited ("Pacific") in an all-cash transaction valued at approximately NZ\$14,000,000 (\$8.6 million) including assumption of debt, subject to post-closing adjustments and customary holdback provisions. The acquisition enhances Lakeland's product portfolio, particularly within fire service protective helmets. Headquartered in Whanganui, New Zealand, Pacific is a leading designer and provider of structural firefighting, wildland firefighting, and technical rescue helmets.

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For purposes of this Form 10-K, (a) FY refers to a fiscal year ended January 31; for example, FY24 refers to the fiscal year ended January 31, 2024 and (b) Q refers to a quarter, for example Q4 FY 24 refers to the fourth quarter of the fiscal year ended January 31, 2024.

Segments – The Company has seven revenue-generating reportable geographic segments under ASC Topic 280 "Segment Reporting": USA Operations, Other Foreign, Europe (UK), Mexico, Asia, Canada, and Latin America. Segment information is presented in Note 13 – Segment Information of the consolidated financial statements in Part II Item 8 of this Form 10-K. Because our consolidated financial statements are stated in U.S. dollars and much of our business is conducted outside the U.S., currency fluctuations may affect our results of operations and financial position and may affect the comparability of our results between financial periods.

Products – We design, manufacture, and sell a multifaceted line of safety products to protect the world's workers, first responders, and communities during the most critical situations. The following is a brief description of each of our product categories.

Firefighter Protective Apparel and Accessories

We offer a complete line of NFPA and CE compliant structural firefighter (turnout gear) and wildland firefighter protective apparel for domestic and foreign fire departments. Our turnout gear is available both in standard stock patterns and customer configurations. Through our acquisition of Pacific Helmets we design and manufacture structural firefighting helmets, wildland firefighting helmets, and safety helmets for rescue, paramedic, and other applications. Additionally, we offer firefighter accessories including particulate-blocking hoods and fire gloves. Effective February 5, 2024, through our acquisition of Jolly Scarpe S.p.A. and Jolly Scarpe Romania S.R.L. (collectively, "Jolly"), we now manufacture and sell a comprehensive range of firefighting and safety boot models. See Note 15, "Subsequent Events," to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for additional information.

High-End Chemical Protective Suits

We manufacture and sell heavy-duty chemical protective suits and protective apparel from our proprietary CRFR, ChemMax® 3, 4, Interceptor and other fabrics. These suits are worn by individuals on hazardous material teams and within general industry to provide protection from powerful, highly concentrated, toxic and/or potentially lethal chemicals and biological toxins. These suits are protective against toxic wastes at Superfund sites, toxic chemical spills or biological discharges, chemical or biological warfare weapons (such as sarin, anthrax or ricin and mustard gas) and chemicals and petro-chemicals present during the cleaning of refineries and nuclear facilities, and volatile organic compounds (VOCs) in industrial applications, and protection from infectious diseases such as Avian Flu and Ebola. We believe that we offer the most complete and cost-effective line of chemical protective garments available on the market today. Garments are certified to both NFPA, CE, ISO, and other international standards allowing us to offer products composed of these fabrics worldwide.

Limited Use/Disposable Protective Clothing

We manufacture a complete line of limited use/disposable protective garments, including coveralls, laboratory coats, shirts, pants, hoods, aprons, sleeves, arm guards, caps and smocks. Typical users of these garments include integrated oil/petrochemical refineries, chemical plants, automotive manufacturers, pharmaceutical companies, construction companies, coal, gas and oil power generation utilities and telephone utility companies, laboratories, mortuaries and governmental entities. Numerous smaller industries use these garments for specific safety applications unique to their businesses. Additional applications include protection from viruses and bacteria, such as Ebola, AIDS, streptococcus, SARS, hepatitis, and COVID-19 at medical facilities, laboratories, and emergency rescue sites. Clean manufactured and sterilized versions of our MicroMAX NS product, trademarked CleanMax, are used in aseptic laboratories to protect both the wearer and the product from cross contamination.

Durable Woven Garments

We manufacture and market a line of durable, launderable woven garments that complement our firefighting and heat protective offerings and provide alternatives to our limited use/disposable protective clothing lines. These products provide us access to the much larger woven industrial and health care-related markets. Woven garments are favored by customers for certain applications because of familiarity with and acceptance of these fabrics. These products allow us to supply and satisfy a broader range of our end users' safety needs.

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High Visibility Clothing

Lakeland's High-Visibility Division manufactures and markets a comprehensive line of reflective apparel that meets the American National Standards Institute (ANSI) requirements and multiple national standards around the world. The line includes vests, T-shirts, sweatshirts, jackets, coats, raingear, jumpsuits, hats and gloves.

Gloves and Sleeves

We manufacture and sell specially designed glove and sleeve products made from Kevlar®, a cut and heat-resistant fiber produced by DuPont, Spectra®, a cut-resistant fiber made by Honeywell, and our own patented engineered yarns. These gloves offer a better overall level of protection and lower worker injury rate and are more cost-effective than traditional leather, canvas or coated work gloves. These gloves allow workers to handle sharp or jagged unfinished sheet metal safely, and are used primarily in the automotive, glass and metal fabrication industries.

Customers – The majority of our sales are made through distribution. For the year ended January 31, 2024, no individual customer represented more than 10% of our sales.

Sales and Marketing - Domestically, we employ a field sales force, organized in four vertical sales groups (industrial, fire service, critical environment, and utilities), to better support customers and enhance marketing. We further leverage our in-house sales team with independent sales representatives to a global network of over 2,000 safety and industrial supply distributors who buy our products for resale and typically maintain inventory at the local level in order to assure quick response times and the ability to serve their customers properly.

Internationally, Lakeland has sales representatives in 23 countries outside the U.S. and sells products in more than 50 countries. Our sustainable market advantages continue to be our knowledge of global standards, the quality of our product offering and the fact that we manufacture our own products. We aim to provide our customers with the highest quality products and excellent customer service.

Competition – The global safety products market is broad with many verticals based upon product type and end-use. We compete in a subset of the larger safety market primarily focusing on firefighter apparel, chemical suits, and limited-use/disposable protective clothing. Over the long term, we believe global demand for safety products will continue to grow as the procurement of PPE is non-discretionary and often mandated by industry standards and government regulations which are increasing in global adoption.

The safety products market is highly competitive and fragmented, with participants ranging in size from small companies focusing on a single type of PPE to several large multinational corporations that supply many types of safety products. Our main competitors vary by region and product. We compete on the basis of our product quality, product availability, cost of ownership, brand recognition, and customer service. We believe Lakeland is favorably positioned in its focus markets as a result of our high-quality offerings, global footprint, and brand recognition.

Patents and Trademarks – We own 14 patents with the U.S. Patent and Trademark Office. We own 76 trademarks. Our active U.S. patents expire between 2024 and 2037. Intellectual property rights that apply to our various products include patents, trade secrets, trademarks and, to a lesser extent, copyrights. We maintain an active program to protect our technology, filing for patent and trademark protection in multiple countries where our product may be “knocked off” or where significant sales of our products exist. Information regarding risks associated with our proprietary technology and our intellectual property rights may be found in Item 1A of this Annual Report on Form 10-K under the heading “Risk Factors.”

Raw Materials and Suppliers - Our policy is to qualify multiple vendors for our fabrics and bindings whenever possible. We frequently distribute our purchases among the top two or three suppliers, based on pricing and delivery schedules, in order to keep multiple suppliers qualified and proficient in the manufacture of the raw materials that we require. Materials, such as polypropylene, polyethylene, polyvinyl chloride, spunlaced polyester, melt blown polypropylene and their derivatives and laminates, are available from 30 or more major mills. FR fabrics are also available from a number of both domestic and international mills. The accessories used in the production of our disposable garments, such as thread, boxes, snaps and elastics, are obtained from unaffiliated suppliers. We currently use more than 25 suppliers located in the U.S. and internationally to supply our key fabrics. We have not experienced difficulty in obtaining our requirements for these commodity component items. Due to the high cost of freight for our nonwoven fabrics, we also seek to find multiple sources that are local to our manufacturing to emergency demand and shift manufacturing between our locations with greater ease.

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Human Capital - As of January 31, 2024, the Company employed approximately 1,750 people worldwide, of which approximately 1,700 were full-time and approximately 50 were part-time. Approximately 90 were employed in the United States and 1,660 were employed outside of the United States. Approximately 1,200 employees, or 70% of our global workforce, are covered by collective bargaining agreements or works councils. Overall, we consider our employee relations to be good. Our culture is important to our success.

Health and Safety. The health and safety of our employees is of utmost importance to us. We conduct regular self-assessments and audits to ensure compliance with our health and safety guidelines and regulatory requirements. Our ultimate goal is to achieve a level of work-related injuries as close to zero as possible through continuous investment in our safety programs. We provide protective gear (e.g. eye protection, masks and gloves) as required by applicable standards and as appropriate given employee job duties. Additionally, during the COVID-19 pandemic, we invested heavily to help ensure the health of our employees. Through the use of education and awareness, provision of necessary PPE, and changes to our manufacturing sites and screening, we strive to make our workplaces a safe place for employees during the workday.

Hiring Practices. We recruit the best people for the job without regard to gender, ethnicity or other protected traits, and it is our policy to comply fully with all domestic, foreign and local laws relating to discrimination in the workplace.

Diversity and Inclusion. Recognizing and respecting our global presence, we strive to maintain a diverse and inclusive workforce everywhere we operate. Almost 50% of our employees worldwide are female and, in the U.S., non-Caucasian employees account for more than 50% of the employee base. Our diversity and inclusion principles are also reflected in our employee training, particularly our policies against harassment and bullying and the elimination of bias in the workplace.

In addition, to support mental health and emotional well-being, all associates and their dependents worldwide have access to an Employee Assistance Program ("EAP"), at no cost to them. This includes access to visits with mental health care providers through the EAP.

Compensation. Lakeland's compensation philosophy strives to provide total compensation for all employees at the market median, utilizing base salary, cash incentives and, in some cases, equity grants to achieve this goal. We further strive to provide above-market compensation opportunities for associates who exceed goals and expectations. This approach to compensation is designed to help Lakeland attract, retain and motivate high-performing individuals who foster an innovative culture and drive business results.

Additional information about how we value our associates' well-being, including our Global Human Rights Policy and our Global Workplace Health and Safety Policy, can be found in the Corporate Governance section of our corporate website. Nothing on our website, including our policies, or sections thereof, shall be deemed incorporated by reference into this Annual Report on Form 10-K or incorporated by reference into any of our other filings with the Securities and Exchange Commission.

Government Regulation – We are governed by regulations that affect the manufacture, distribution, marketing and sale of our products, including regulations relating to various environmental, health and safety matters. These regulations differ among and within every country in which we operate. We are not involved in any pending or, to our knowledge, threatened governmental proceedings, which would require curtailment of our operations because of such laws and regulations. Changes in regulations, guidelines, procedural precedents and enforcement take place frequently and can impact the size, growth potential and profitability of products sold in each market. See “-Environmental Matters” below for additional discussion of environmental regulations.

International and Domestic Standards. Globally, standards development continues to challenge Industrial protective clothing manufacturers. The pace of change and adoption of new standards continues to increase as standards for more hazards are added and deficiencies in existing standards are corrected. Complex and changing international standards play to Lakeland's strengths when compared to most multinationals or smaller manufacturers. Lakeland currently sits on committees and/or works closely with groups involved in writing many international standards such as the American Society for Testing and Materials International (“ASTM”), the National Fire Protection Association (“NFPA”), International Safety Equipment Association (“ISEA”), the European Committee for Standardization (“CEN”), ISO, the China National Standards Board (“GB”) in China, and the Standards Australia and Standards New Zealand (“ASNZ”).

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Globally, not only are the standards continuing to change, but the focus of standards activity is shifting. In response to the increasing use of certification processes as a technical barrier to trade, standards writing bodies in the U.S. and Europe have concluded efforts to update and define conformity assessment (ANSI/ISEA 125 and the PPE Regulation respectively) within their own spheres of influence. Unfortunately, these are not “international standards” and can be easily ignored by other countries that wish to impose their own conformity assessment systems on importers. The result is an increasingly dynamic standards environment where not only are the standards changing, but the minimum requirements for conformity with the certification process itself are changing.

A number of developing nations are now becoming active in development of their own standards based on existing international standards. This presents a new challenge in that not only are we faced with multiple test methods and standards, but we have the potential for multiple certification processes. While this adds to product development and sales expenses, the additional cost is only incremental. The real challenge is in navigating the certification process itself. This is a significant impediment to entry for companies seeking to expand sales distribution globally.

In many cases products preferred in one market are not acceptable in another and multiple conformity assessments are required for the same standard certification. This is both technically challenging and costly. By virtue of its international manufacturing and sales operations, Lakeland is uniquely positioned to capitalize on this complex dynamic.

Environmental Matters. We are subject to various foreign, federal, state and local environmental protection, chemical control, and health and safety laws and regulations, and we incur costs to comply with those laws. We own and lease real property, and certain environmental laws hold current or previous owners or operators of businesses and real property responsible for contamination on or originating from property, even if they did not know of, or were not responsible for the contamination. The presence of hazardous substances on any of our properties or the failure to meet environmental regulatory requirements could affect our ability to use or sell the property or to use the property as collateral for borrowing and could result in substantial remediation or compliance costs.

Per- and polyfluoroalkyl substances (PFAS) are man-made chemicals that have been used in industry and consumer products worldwide since the 1940s. PFAS have been widely used to make products more resistant to heat, oils, grease, chemicals, and water. Therefore, PFAS may be found in everyday consumer goods such as food packaging, nonstick cookware, stain-resistant fabrics and carpets, some cosmetics, water-repellent clothing, and some firefighting foams. PFAS are now the subject of increasing regulatory attention. Both the EPA and the European Union have proposed draft regulations regarding PFAS, which include restrictions, data gathering and/or phase-out requirements. In the United States, a number of states have also developed regulatory standards, product reporting, and/or phase-out requirements.

Certain fabric components of firefighter turnout gear manufactured by our suppliers contain PFAS to achieve water, oil, or chemical resistance. Although we understand some suppliers have investigated PFAS-free alternatives that may become available in the future, no manufacturer of firefighter turnout gear is currently able to meet the current NFPA safety standards without using certain fabric components that contain PFAS. Some of our suppliers have notified us that they add PFAS to their fabric components to achieve the NFPA performance requirements. The Company has been named as a party to a number of lawsuits filed by firefighters related to PFAS. These cases are consolidated in *In re: Aqueous Film-Forming Foams Products Liability Litigation*, MDL No.: 2:18-mn-2873-RMG (District of South Carolina, Charleston Division). These matters are at an early stage with numerous factual and legal issues to be resolved.

Although we have not in the past had any material costs or damages associated with environmental claims or compliance, and we do not currently anticipate any such costs or damages, we cannot guarantee that we will not incur material costs or damages in the future as a result of the discovery of new facts or conditions, acquisition of new properties, the release of hazardous substances, a change in interpretation of existing environmental laws or the adoption of new environmental laws.

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Seasonality – Our operations have historically been moderately seasonal, with higher sales generally occurring in March, April and May when scheduled maintenance on nuclear, coal, oil and gas fired utilities, chemical, petrochemical and smelting facilities, and other heavy industrial manufacturing plants occurs, primarily due to moderate spring temperatures and low energy demands. Sales decline during the warmer summer vacation months and gradually increase from Labor Day through the fall with slight declines again during holidays, such as Christmas and the Chinese New Year. As a result of this seasonality in our sales, we have historically experienced a corresponding seasonality in our working capital, specifically inventories, with peak inventories occurring between December and May, coinciding with lead times required to accommodate the spring maintenance schedules. Certain of our large customers seek sole sourcing to avoid sourcing their requirements from multiple vendors whose prices, delivery times and quality standards differ.

In recent years, our historical seasonal pattern has shifted due to increased demand by first responders for our chemical suits and fire gear, our growing sales into the southern hemisphere, and our development of non-seasonal products like CleanMAX. While we doubt that we will ever fully eliminate seasonality in our business, we continue our efforts to diminish its impact on revenues, operational results, working capital and cash flow, by focusing on sales into non-seasonal markets like clean rooms, electric utilities and the fire service markets.

Available Information - Our Internet address is www.Lakeland.com. We make the following filings available free of charge on the Investor Relations page on our website as soon as they have been electronically filed with or furnished to the Securities and Exchange Commission ("SEC"): our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as our proxy statement. Information contained on our website is not part of this Annual Report on Form 10-K or our other filings with the SEC. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers like us who file electronically with the SEC.

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Information about our Executive Officers

The following is a list of the names and ages of all of our executive officers indicating all positions and offices they hold with us as of April 10, 2024.

Name	Age	Position
James M. Jenkins	59	Acting President and Chief Executive Officer, and Executive Chairman
Roger D. Shannon	59	Chief Financial Officer and Secretary
Hui (Helena) An	50	Chief Operating Officer
Joshua Sletten	33	Vice President of Corporate Development and Strategy

James M. Jenkins was appointed Acting President and Chief Executive Officer on February 1, 2024. Mr. Jenkins was appointed the Company's Executive Chairman on August 30, 2023. Previously, he served as Chairman of the Board from February 1, 2023 through August 2023 and as a director since 2016. Mr. Jenkins also served on our Board from 2012 to 2015 and was a member of the Audit and Corporate Governance Committees. Mr. Jenkins is currently the General Counsel and Vice President of Corporate Development for Transcat, Inc., a provider of calibration, repair, inspection and laboratory services. Before joining Transcat, Mr. Jenkins was a partner at Harter Secrest & Emery LLP, a regional law firm in New York State, where his practice focused on corporate governance and general corporate law matters, including initial and secondary public offerings, private placements, mergers and acquisitions, and securities law compliance.

Roger D. Shannon has served as our Chief Financial Officer since February 1, 2023 and Secretary since February 1, 2024. Mr. Shannon was Chief Financial Officer and Treasurer of Charah Solutions from June 2019 to October 2022. Mr. Shannon previously served in various roles, including Chief Financial Officer, Senior Vice President of Finance, Treasurer and Head of Corporate Development at ADTRAN, a publicly traded provider of next-generation networking solutions, from November 2015 to June 2019. Mr. Shannon also served as Chief Financial Officer and Treasurer for Steel Technologies and various senior finance roles at the Brown-Forman Corporation, British American Tobacco, and accounting positions at Vulcan Materials Company, Lexmark International and KPMG.

Helena An has served as our Chief Operating Officer since April 6, 2023. Ms. An previously served as our Vice President of Procurement and Asia Manufacturing since 2018. Ms. An has been with Lakeland for over 25 years in various procurement and manufacturing leadership positions.

Joshua Sletten was appointed Vice President of Corporate Development and Strategy on April 6, 2023. He has been instrumental in the development and execution of the Company's global strategy toward higher-value products and revenue growth. He previously served as Vice President of Corporate Development since June 2021. From July 2019 to May 2021, Mr. Sletten was Vice President, Mergers & Acquisitions for Craig-Hallum Capital Group LLC, an investment banking firm. Mr. Sletten held various mergers and acquisitions roles in private equity and corporate functions from 2013 to 2019, including The IMAGINE Group, General Mills, and ShoreView Industries, LLC.

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ITEM 1A RISK FACTORS

RISK FACTORS

You should carefully consider the following risks before investing in our common stock. These are not the only risks that we may face. If any of the events referred to below actually occur, our business, financial condition, liquidity and results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should also refer to the other information in this Form 10-K and in the documents we incorporate by reference into this Form 10-K, including our consolidated financial statements and the related notes.

Risks Related to Our Business and Industry

We are subject to risk as a result of our international manufacturing operations.

Because most of our products are manufactured at our facilities located in China, Vietnam, Mexico, Argentina and India, our operations are subject to risks inherent in doing business internationally. Such risks include the adverse effects on operations from corruption, war, international terrorism, civil disturbances, political instability, government activities such as border taxes and renegotiation of treaties, deprivation of contract and property rights and currency valuation changes.

Based on the complex relationships between China and the U.S., there is an inherent risk that political, diplomatic, military, or other events could result in business disruptions, including increased regulatory enforcement against companies, tariffs, trade embargoes, and export restrictions. Tariffs increase the cost of our products and the components and raw materials that go into making them. These increased costs adversely impact the gross margin we earn on our products. Tariffs can also make our products more expensive for customers, which could make our products less competitive and reduce consumer demand. Countries may also adopt other measures, such as controls on imports or exports of goods, technology, or data, that could adversely impact the Company's operations and supply chain and limit the Company's ability to offer our products and services as designed. These measures can require us to take various actions, including changing suppliers and restructuring business relationships. Changing our operations in accordance with new or changed trade restrictions can be expensive, time-consuming, disruptive to our operations and distracting to management. Such restrictions can be announced with little or no advance notice, and we may not be able to mitigate all adverse impacts from such measures, effectively. Political uncertainty surrounding trade and other international disputes could also have a negative effect on consumer confidence and spending. Any of these events could reduce customer demand, increase the cost of our products and services, or otherwise have a materially adverse impact on our customers' and suppliers' businesses and results of operations.

A terrorist attack or other geopolitical crisis could negatively impact our domestic and/or international operations.

Our global operations are susceptible to global events, including acts or threats of war or terrorism, international conflicts, political instability, and natural disasters. The occurrence of any of these events could have an adverse effect on our business results and financial condition.

The impact of the invasion of Ukraine, including economic sanctions or additional war or military conflict, as well as potential responses to them by Russia, could adversely affect the Company's business, supply chain, suppliers or customers and potentially heighten our risk of cyber-attacks. In addition, the continuation of Russia's invasion of Ukraine could lead to other disruptions, instability, and volatility in global markets and industries that could negatively impact the Company's operations. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, the availability of raw materials, supplies, freight and labor, currency exchange rates and financial markets, all of which could impact the Company's business, financial condition and results of operations.

Further escalation of specific trade tensions, including those between the U.S. and China, or more broadly in global trade conflicts, could adversely impact the Company's business and operations. The Company's business is also impacted by social, political, and labor conditions in locations in which the Company or its suppliers or customers operate; adverse changes in the availability and cost of capital; monetary policy; interest rates; inflation; recession; commodity prices; currency volatility or exchange control; ability to expatriate earnings; and other laws and regulations in the jurisdictions in which the Company or its suppliers or customers operate. For example, changes in local economic conditions or outlooks, such as lower economic growth rates in China, Europe, or other key markets, impact the demand or profitability of the Company's products.

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Pandemics or disease outbreaks, such as COVID-19, may cause unfavorable economic or market conditions, which could impact demand patterns and/or disrupt global supply chains and manufacturing operations.

Collectively, these outcomes could materially and adversely affect our business, results of operations and financial condition. Pandemics or disease outbreaks such as COVID-19 could result in a widespread health crisis that could adversely affect the economies of developed and emerging markets, potentially resulting in an economic downturn that could affect customers' demand for our products in certain industrial-based end-markets. The spread of pandemics or disease outbreaks may also disrupt the Company's manufacturing operations, supply chain, or logistics necessary to import, export and deliver products to our customers. During a pandemic or crisis, applicable laws and response directives could, in some circumstances, adversely affect our ability to operate our plants, or to deliver our products in a timely manner. The enactment of laws and directives aimed at mitigating health crises may also hinder our ability to move certain products across borders. Economic conditions can also influence order patterns. These factors could negatively impact our consolidated results of operations and cash flow.

We have significant international operations and are subject to the risks of doing business in foreign countries, particularly in China and Vietnam, which could affect our ability to manufacture or sell our products, obtain products from foreign suppliers or control the costs of our products.

We have business operations in approximately 60 foreign countries. In FY24, more than half of our net sales were made by operations outside the United States. Those operations are subject to various political, economic and other risks and uncertainties, which could have a material adverse effect on our business. These risks include the following:

- unexpected changes in regulatory requirements;
- changes in trade policy or tariff regulations;
- changes in tax laws and regulations;
- additional valuation allowances on deferred tax assets due to an inability to generate sufficient profit in certain foreign jurisdictions;
- intellectual property protection difficulties or intellectual property theft;
- difficulty in collecting accounts receivable;
- complications in complying with a variety of foreign laws and regulations, some of which may conflict with U.S. laws;
- foreign privacy laws and regulations;
- trade protection measures and price controls;
- trade sanctions and embargoes;
- nationalization and expropriation;
- increased international instability or potential instability of foreign governments;
- effectiveness of worldwide compliance with Lakeland's anti-bribery policy, the U.S. Foreign Corrupt Practices Act, and similar local laws;
- difficulty in hiring and retaining qualified employees;
- the ability to effectively negotiate with labor unions in foreign countries;
- the need to take extra security precautions for our international operations;
- costs and difficulties in managing culturally and geographically diverse international operations; and
- pandemics and similar disasters.

In particular, because a majority of our products are manufactured in China and Vietnam, the possibility of adverse changes in trade or political relations with China or Vietnam, political instability in China or Vietnam, increases in labor costs, the occurrence of prolonged adverse weather conditions or a natural disaster such as an earthquake or typhoon in China or Vietnam, or the outbreak of a pandemic disease in China or Vietnam could severely interfere with the manufacturing and/or shipment of our products and would have a material adverse effect on our operations.

Our business operations may be adversely affected by the current and future political environment in the People's Republic of China ("PRC"). The government of the PRC has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate under the PRC may be adversely affected by changes in Chinese laws and regulations, including those relating to taxation, import and export tariffs, raw materials, environmental regulations, land use rights, property and other matters. Under its current leadership, the government of the PRC has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the government of the PRC will continue to pursue these policies or that it will not significantly alter these policies from time to time without notice. A change in policies by the PRC government could adversely affect our interests by, among other factors: changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports or sources of supplies, or the expropriation or nationalization of private enterprises.

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The PRC government exercises significant control over the Chinese economy, including but not limited to controlling capital investments, allocating resources, setting monetary policy, controlling and monitoring foreign exchange rates, implementing and overseeing tax regulations, providing preferential treatment to certain industry segments or companies and issuing necessary licenses to conduct business. In addition, we could face additional risks resulting from changes in the PRC's data privacy and cybersecurity requirements. Accordingly, any adverse change in the Chinese economy, the PRC legal system or the PRC governmental, economic or other policies could have a material adverse effect on our entities in the PRC and our prospects generally.

We face additional risks in the PRC due to the country's historically limited recognition and enforcement of contractual and intellectual property rights. We may experience difficulty enforcing our intellectual property rights in the PRC. Unauthorized use of our technologies and intellectual property rights by partners or competitors may dilute or undermine the strength of our brands. If we cannot adequately monitor the use of our technologies and products or enforce our intellectual property rights in the PRC or contractual restrictions relating to the use of our intellectual property by Chinese companies, our revenue could be adversely affected.

Our entities are subject to laws and regulations applicable to foreign investment in the PRC. There are uncertainties regarding the interpretation and enforcement of laws, rules and policies in the PRC. Because many laws and regulations are relatively new, the interpretations of many laws, regulations and rules are not always uniform. Moreover, the interpretation of statutes and regulations may be subject to government policies reflecting domestic political agendas. Enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic. As a result of the foregoing, it may be difficult for us to obtain swift or equitable enforcement of laws ostensibly designed to protect companies like ours, which could have a material adverse effect on our business and results of operations.

Any one or more of these risks could have a negative impact on the success of our international operations and, thereby, have a material adverse effect on our business, consolidated results of operations and financial condition.

Our results of operations may vary widely from quarter to quarter.

Our quarterly results of operations have varied and are expected to continue to vary in the future. These fluctuations may be caused by many factors, including:

- Currency volatility;
- Global crises, such as the COVID-19 pandemic, oil spills, or Ebola outbreak;
- Our expansion of international operations;
- Competitive pricing pressures;
- Seasonal buying patterns resulting from the cyclical nature of the business of some of our customers;
- Changes in the mix of products and services sold;
- The timing of introductions and enhancements of products by us or our competitors;
- Market acceptance of new products;
- Technological changes in fabrics or production equipment used to make our products;
- Availability of raw materials due to unanticipated demand or lack of precursors (oil and gas);
- Changes in the mix of domestic and international sales; and
- Personnel changes.

These variations could negatively impact our stock price.

Disruption in our supply chain, manufacturing or distribution operations could adversely affect our business.

Our ability to manufacture, distribute and sell products is critical to our operations. These activities are subject to inherent risks such as natural disasters, power outages, fires or explosions, labor strikes, terrorism, epidemics, pandemics, import restrictions, regional economic, business, environmental or political events, governmental regulatory requirements or nongovernmental voluntary actions in response to global climate change or other concerns regarding the sustainability of our business, which

could disrupt our supply chain and impair our ability to manufacture or sell our products. This interruption, if not mitigated in advance or otherwise effectively managed, could adversely impact our business, financial condition and results of operations and require additional resources to address.

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Climate change and other sustainability matters may adversely affect our business and operations.

There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. We have transition risks related to the transition to a lower-carbon economy and physical risks related to the physical impacts of climate change. Transition risks include increased costs of carbon emission, increased cost to produce products in compliance with future regulations, increased raw materials cost, shifts in customer/consumer values and other legal, regulatory and technological risks. Physical risks include the risk of direct damage to assets or supply chain disruption caused by severe weather events such as floods, storms, wildfires and droughts. In addition, concern over climate change may result in new legal and regulatory requirements to reduce or mitigate the effects of climate change on the environment. Our reputation could be damaged if we do not (or are perceived not to) act responsibly with respect to sustainability matters, which could adversely affect our business.

Because we do not have long-term commitments from many of our customers, we must estimate customer demand, and errors in our estimates could negatively impact our inventory levels and net sales.

Our sales are generally made on the basis of individual purchase orders, which may later be modified or canceled by the customer rather than on long-term commitments. We have historically been required to place firm orders for fabrics and components with our suppliers prior to receiving an order for our products based on our forecasts of customer demands. Our sales process requires us to make multiple demand forecast assumptions, each of which may introduce errors in our estimates, causing excess inventory to accrue or a lack of manufacturing capacity when needed. If we overestimate customer demand, as we have done in recent years, we may allocate resources to manufacturing products that we may not be able to sell when we expect to or at all. As a result, we experienced in fiscal year 2024 a buildup of excess inventory, with corresponding negative impacts on our financial results. We may experience similar results if we overestimate customer demand in the future. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would lose sales opportunities and market share and damage our customer relationships. On occasion, we have been unable to adequately respond to delivery dates required by our customers because of the lead time needed for us to obtain required materials or to send fabrics to our assembly facilities in China, Vietnam, India, and Mexico.

The markets in which we compete are highly competitive, and some of our competitors have greater financial and other resources than we do.

Some of our competitors have greater financial and other resources than we do, and our business could be adversely affected by competitors' new product innovations, technological advances made to competing products and pricing changes made by us in response to competition from existing or new competitors. We may not be able to compete successfully against current and future competitors, and the competitive pressures faced by us could have a material adverse effect on our business, consolidated results of operations and financial condition. In addition, e-business is a rapidly developing area, and the execution of a successful e-business strategy involves significant time, investment and resources.

Five of our competitors, DuPont, Honeywell, Ansell, MSA and Kimberly Clark, have substantially greater financial, marketing and sales resources than we do. In addition, we believe that the barriers to entry in the disposable and reusable garments and gloves markets are relatively low. We cannot assure you that our present competitors or competitors that choose to enter the marketplace in the future will not exert significant competitive pressures.

Our operations are substantially dependent upon key personnel.

Our performance is substantially dependent on the continued services and performance of our senior management and certain other key personnel, including James M. Jenkins, our Acting President and Chief Executive Officer and Executive Chairman; Roger D. Shannon, our Chief Financial Officer and Secretary; Helena An, our Chief Operating Officer, and Joshua Sletten our Vice President of Corporate Development and Strategy. The loss of services of any of our executive officers or other key employees could have a material adverse effect on our business, financial condition and results of operations. In addition, any future expansion of our business will depend on our ability to identify, attract, hire, train, retain and motivate other highly skilled managerial, marketing, customer service and manufacturing personnel, and our inability to do so could have a material adverse effect on our business, financial condition and results of operations.

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Technological change could negatively affect sales of our products and our performance.

The rapid development of fabric technology continually affects our apparel applications and may directly impact the performance of our products. We cannot assure you that we will successfully maintain or improve the effectiveness of our existing products, nor can we assure you that we will successfully identify new opportunities or continue to have the needed financial resources to develop new fabric or apparel manufacturing techniques in a timely or cost-effective manner. In addition, products manufactured by others may render our products obsolete or noncompetitive.

Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information and adversely impact our reputation and results of operations.

We rely on information technology systems to process, transmit and store electronic information, and manage or support various business processes and activities. In general, all information technology systems, including those we host or have hosted by third parties, are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, human error or malicious acts, break-ins, and other intentional or unintentional events. Our business is also at risk from and may be materially impacted and/or disrupted by information security incidents such as ransomware, malware, viruses, phishing, social engineering, and other security incidents. Such incidents can range from individual attempts to gain unauthorized access to information technology systems through phishing emails to more sophisticated security threats. These events can also result from internal compromises, such as human error or rogue employees or contractors, and can occur on our systems or on the systems of our partners and subcontractors. In addition, the number and frequency of cybersecurity events globally may be heightened during times of geopolitical tension or instability between countries, including, for example, the ongoing war between Russia and Ukraine. Security breaches of our systems or security breaches of third parties' systems on which we rely to process, store, or transmit electronic information could result in the misappropriation, destruction or unauthorized disclosure of confidential information or personal data, as well as material disruptions to our operations that could impact services.

We employ various measures to prevent, detect, address and mitigate cybersecurity threats (including access controls, vulnerability assessments, training for all employees, continuous monitoring of our IT networks and systems and maintenance of backup and protective systems). However, our security measures may be inadequate to prevent security breaches, and our business operations and reputation could be materially adversely affected by these events and any resulting federal and state fines and penalties, legal claims or proceedings. There are also significant costs associated with a data breach, including investigation costs, remediation and mitigation costs, notification and monitoring costs, attorneys' fees, and the potential for reputational harm and lost revenues due to a loss of confidence. We cannot predict the costs to comply with these laws or the costs associated with a potential data breach, which could have a material adverse effect on our business, results of operations, financial position and cash flows, and our business reputation. As cyber threats continue to evolve, we may be required to expend significant capital and other resources to protect against the threat of security breaches or to mitigate and alleviate problems caused by security incidents. While risks from identified cybersecurity threats or previous cybersecurity incidents to date have not materially affected our business strategy, results of operations or financial condition to date, there can be no assurance that such risks will not have a material adverse effect in the future.

Data privacy and security laws relating to the handling of personal information are evolving across the world and may be drafted, interpreted or applied in a manner that results in increased costs, legal claims, fines against us, or reputational damage.

As a global organization that accesses and processes personal data in the course of its business, we are subject to U.S. and international data privacy, security and data breach notification laws, as well as contractual requirements that may govern the collection, use, disclosure and protection of personal data.

For example, in the United States, individual states regulate data breach notification requirements as well as more general privacy and security requirements. Certain of these laws grant individuals various rights with respect to personal information, and we may be required to expend significant resources to comply with these laws. Further, all 50 states, the District of Columbia and U.S. territories have adopted data breach notification laws that impose, in varying degrees, an obligation to notify affected persons and/or state regulators in the event of a data breach or compromise, including when their personal information has or may have been accessed by an unauthorized person. These laws apply according to the residence of the impacted individual. Some state breach notification laws may also impose physical and electronic security requirements regarding the safeguarding of personal information. In addition, certain states' privacy, security, and data breach laws, including, for example, the California Consumer Privacy Act ("CCPA") (as amended by the California Privacy Rights Act), include private rights of action that may expose us to private litigation regarding our privacy and security practices and significant damages awards or settlements in civil litigation.

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Compliance with the varying data privacy regulations across the United States and around the world may require expenditures and changes in our business models. Failure to comply with these statutory requirements, or even the occurrence of a data breach, can subject us to legal, regulatory, and reputational risks, as well as the financial risks that can accompany regulatory investigations and enforcement actions and private litigation.

Our success depends in part on our proprietary technology, and if we fail to successfully obtain or enforce our intellectual property rights, our competitive position may be harmed.

We rely on our portfolio of issued and pending patent applications in the U.S. and other countries to protect a large part of our intellectual property and our competitive position; however, these patents may be insufficient to protect our intellectual property rights because our patents may be challenged, invalidated, held unenforceable, circumvented, or may not be sufficiently broad to prevent third parties from producing competing products similar in design to our products and foreign patents protections may be more limited than those provided under U.S. patents and intellectual property laws.

We may not be afforded the protection of a patent if our currently pending or future patent filings do not result in the issuance of patents or if we fail to apply for patent protection. We may fail to apply for a patent if our personnel fail to disclose or recognize new patentable ideas or innovations. Remote working can decrease the opportunities for our personnel to collaborate, thereby reducing the opportunities for effective invention disclosures and patent application filings. We may choose not to file a foreign patent application if the limited protections provided by a foreign patent outweigh the costs of obtaining it. Our foreign patent portfolio is less extensive than our U.S. portfolio.

Our inability to maintain the proprietary nature of our technology through patents, copyrights or trade secrets would impair our competitive advantages and could have a material adverse effect on our operating results, financial condition and future growth prospects. In particular, a failure to protect our intellectual property rights might allow competitors to copy our technology or create counterfeit or pirated versions of our products, which could adversely affect our reputation, pricing and market share.

Our inability to successfully identify, consummate and integrate current and future acquisitions and strategic investments or to realize anticipated cost savings and other benefits could adversely affect our business.

In the future, subject to capital constraints, we may seek to acquire selected safety product lines or safety-related businesses or other businesses, that will complement our existing products. Our ability to acquire these businesses is dependent upon many factors, including our management's relationship with the owners of these businesses, many of which are small and closely held by individual stockholders. In addition, we will be competing for acquisition and expansion opportunities with other companies, many of which have greater name recognition, marketing support and financial resources than us, which may result in fewer acquisition opportunities for us, as well as higher acquisition prices. There can be no assurance that we will be able to identify, pursue or acquire any targeted business.

If we are unable to integrate or successfully manage businesses that we have recently acquired or may acquire in the future, we may not realize anticipated cost savings, improved manufacturing efficiencies and increased revenue, which may result in material adverse short and long-term effects on our consolidated operating results, financial condition and liquidity. Even if we are able to integrate the operations of our acquired businesses into our operations, we may not realize the full benefits of the cost savings, revenue enhancements or other benefits that we may have expected at the time of acquisition. In addition, even if we achieve the expected benefits, we may not be able to achieve them within the anticipated time frame, and such benefits may be offset by costs incurred in integrating the acquired companies and increases in other expenses.

Acquisitions involve a number of special risks in addition to those mentioned above, including the diversion of management's attention to the assimilation of the operations and personnel of the acquired companies, the potential loss of key employees of acquired companies, potential exposure to unknown liabilities, adverse effects on our reported operating results and the amortization or write-down of acquired intangible assets. We cannot assure you that any acquisition by us will or will not occur, that if an acquisition does occur it will not materially and adversely affect our results of operations or that any such acquisition will be successful in enhancing our business. To the extent that we are unable to manage growth efficiently and effectively or are unable to attract and retain additional qualified management personnel, our business, financial condition and results of operations could be materially and adversely affected.

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On November 30, 2023, the Company acquired New Zealand-based Pacific Helmets NZ Limited ("Pacific") in an all-cash transaction valued at approximately \$8.5 million, subject to post-closing adjustments and customary holdback provisions. Pacific Helmets is a leading designer and manufacturer of helmets for the structural firefighting, wildland firefighting, and rescue markets. The acquisition enhances Lakeland's product portfolio, particularly within fire service.

Beginning in October 2021, the Company has made a series of strategic investments totaling \$8.0 million in Inova Design Solutions Ltd. (doing business as Bodytrak®) ("Bodytrak") as a step toward entering the Connected Worker Market for "Smart PPE." Through January 31, 2024, the Company has recognized a total of \$1.1 million in losses from its investment in Bodytrak. The Company may incur additional losses.

On February 5, 2024, the Company acquired Italy and Romania-based Jolly Scarpe S.p.A. and Jolly Scarpe Romania S.R.L. (collectively, "Jolly") in an all-cash transaction valued at approximately \$9.3 million subject to post-closing adjustments and customary holdback provisions. Jolly is a leading designer and manufacturer of professional footwear for the firefighting, military, police, and rescue markets. The company is headquartered in Montebelluna, Italy, with manufacturing operations in Bucharest, Romania, and has 150 employees. Jolly provides a differentiated product portfolio through its continued investment in research and development and the use of modern materials and cutting-edge technologies in the production of its footwear. See Note 15, "Subsequent Events," to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for additional information.

Changes in financial accounting standards or policies have affected, and in the future may affect, our reported financial condition or results of operations; there are inherent limitations to our system of internal controls; changes in corporate governance requirements, policies and practices may impact our business.

We prepare our consolidated financial statements in conformity with GAAP. The preparation of our financial statements in accordance with GAAP requires that we make estimates and assumptions that affect the recorded amounts of assets, liabilities and net income during the reporting period. A change in the facts and circumstances surrounding those estimates could result in a change to our estimates and could impact our future operating results. GAAP is subject to interpretation by the Financial Accounting Standards Board (“FASB”), the SEC and various bodies formed to interpret and create accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions that are completed before a change is announced. A significant change in our accounting judgments could have a significant impact on our reported revenue, gross profit, assets and liabilities. In general, changes to accounting rules or challenges to our interpretation or application of the rules by regulators may have a material adverse effect on our reported financial results or on the way we conduct business.

Our system of internal and disclosure controls and procedures was designed to provide reasonable assurance of achieving its objectives. However, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been or will be detected. As a result, there can be no assurance that our system of internal and disclosure controls and procedures will be successful in preventing all errors, theft and fraud or in informing management of all material information in a timely manner. For example, as disclosed in Item 9A of this annual report, we have remediated a material weakness related to controls over our foreign subsidiary currency translation or remeasurement to ensure the foreign subsidiary’s account balances were accurately stated in the consolidated financial statements. We can give no assurance that additional material weaknesses will not arise in the future.

Finally, corporate governance, public disclosure and compliance practices continue to evolve based on continuing legislative action, SEC rulemaking and policy positions taken by large institutional stockholders and proxy advisors. As a result, the number of rules, regulations and standards applicable to us may become more burdensome to comply with, could increase scrutiny of our practices and policies by these or other groups and increase our legal and financial compliance costs and the amount of time management must devote to governance and compliance activities. For example, the SEC has recently adopted rules requiring that issuers provide significantly increased disclosures concerning cybersecurity risk management, strategy, governance and incident reporting and adopt more stringent executive compensation clawback policies. Increasing regulatory burdens and corporate governance requirements could make it more difficult for us to attract and retain qualified members of our Board of Directors and qualified executive officers.

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Financial Risks

Our results of operations could be negatively affected by potential fluctuations in foreign currency exchange rates.

Most of our assembly arrangements with our foreign-based subsidiaries or third-party suppliers require payment to be made in U.S. dollars or the Chinese Renminbi (“RMB”). Any decrease in the value of the U.S. dollar or RMB in relation to foreign currencies could increase the cost of the services provided to us upon contract expirations or supply renegotiations. There can be no assurance that we will be able to increase product prices to offset any such cost increases, and any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We are also exposed to foreign currency exchange rate risks as a result of our sales to customers in foreign countries in the amount of \$69.3 million in FY24. Our sales in these countries are usually denominated in the local currency. If the value of the U.S. dollar increases relative to these local currencies, and we are unable to raise our prices proportionally, then our profit margins could decrease because of the exchange rate change.

Due to our purchases and sales in other countries, we are exposed to changes in foreign currency exchange rates. To manage this volatility, we seek to limit, to the extent possible, our non-US dollar-denominated purchases and sales.

In connection with our operations in China, we purchase a significant amount of products from outside of the United States. However, our purchases in China are primarily made in the RMB, the value of which has floated for the last 6 years, and therefore we have been exposed to additional foreign exchange rate risk on our Chinese raw material and component purchases.

Our primary risk from foreign currency exchange rate changes is presently related to non-US dollar-denominated sales in China, Canada and Europe and, to a smaller extent, in South American countries and Russia. Our sales to customers in Canada are denominated in Canadian dollars, Europe in Euros and British pounds, and China in RMB and U.S. dollars. If the value of the U.S. dollar increases relative to the Canadian dollar, the Pound, the Euro, or the RMB, then our net sales could decrease as our products would be more expensive to these international customers because of changes in the rate of exchange. When appropriate, we manage the foreign currency risk through forward contracts against the Canadian dollar, Australian dollar, New Zealand dollar and Euro and through cash flow hedges in the U.S. against the RMB and the Euro. We do not hedge other currencies at this time. In the event that non-U.S. dollar-denominated international purchases and sales grow, exposure to volatility in exchange rates could have a material adverse impact on our financial results.

Covenants in our credit facilities may restrict our financial and operating flexibility.

As a result of the Loan Agreement the Company entered into on June 25, 2020, as amended to date, we currently have a \$40.0 million revolving credit facility, expiring March 25, 2029. Our credit facility requires, and any future credit facilities may also require, among others that we comply with specified financial covenants relating to fixed charge coverage and investment in acquisitions. Our ability to satisfy these financial covenants can be affected by events beyond our control, and we cannot guarantee that we will meet the requirements of these covenants.

On March 3, 2023, the Company changed the benchmark interest rate in our credit facility from the London Interbank Offered Rate (“LIBOR”) to the Secured Overnight Financing Rate (“SOFR”). At January 31, 2024, we did not have any outstanding debt under our credit facility.

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We may need additional funds, and if we are unable to obtain these funds, we may not be able to expand or operate our business as planned.

Our operations require significant amounts of cash, and we may be required to seek additional capital, whether from sales of equity or by borrowing money, to fund acquisitions for the future growth and development of our business or to fund our operations and inventory, particularly in the event of a market downturn.

A number of factors could affect our ability to access future debt or equity financing, including:

- Our financial condition, strength and credit rating;
- The financial markets’ confidence in our management team and financial reporting;
- General economic conditions and the conditions in the homeland security and energy sectors; and
- Capital markets conditions.

Even if available, additional financing may be more costly than our current facility and may have adverse consequences. If additional funds are raised through the incurrence of debt, we will incur increased debt servicing costs and may become subject to additional restrictive financial and other covenants. We can give no assurance

as to the terms or availability of additional capital. Although management believes it currently has sufficient capital, if we do need additional capital in the future and are unsuccessful, it could reduce our net sales and materially adversely impact our earning capability and financial position.

Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our business, financial condition or results of operations.

Events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. Although we assess our banking and customer relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry.

In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources could have material adverse impacts on our liquidity and our business, financial condition or results of operations.

If our goodwill, other intangible assets and long-lived assets become impaired, we may be required to record significant charges to earnings.

We review our long-lived assets for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Goodwill and indefinite-lived intangible assets are required to be assessed for impairment at least annually. Factors that may be considered a change in circumstances, indicating that the carrying amount of our goodwill, indefinite-lived intangible assets or long-lived assets may not be recoverable, include slower growth rates in our markets, reduced expected future cash flows, increased country risk premiums as a result of political uncertainty and a decline in stock price and market capitalization. We consider available current information when calculating our impairment charge. If there are indicators of impairment, our long-term cash flow forecasts for our operations deteriorate or discount rates increase, we may be required to recognize additional impairment charges in later periods.

Legal and Regulatory Risks

We deal in countries where corruption is an obstacle.

We must comply with American laws such as the Foreign Corrupt Practices Act (FCPA) and Sarbanes-Oxley and also with anticorruption legislation in the U.K. Some of our competitors and customers in foreign jurisdictions may not adhere to such legislation. As a result, we believe that we lose sales orders due to our strict adherence to such regulations.

We are subject to various U.S. and foreign tax laws, and any changes in these laws related to the taxation of businesses and resolutions of tax disputes could adversely affect our results of operations.

The U.S. Congress, the Organization for Economic Co-operation and Development (OECD) and other government agencies in jurisdictions in which we invest or do business have maintained a focus on issues related to the taxation of multinational companies. The OECD has changed numerous long-standing tax principles through its base erosion and profit shifting (“BEPS”) project, which could adversely impact our effective tax rate.

We are subject to regular review and audit by foreign and domestic tax authorities. While we believe our tax positions will be sustained, the final outcome of tax audits and related litigation may differ materially from the tax amounts recorded in our consolidated financial statements, which could have a material adverse effect on our consolidated results of operations, financial condition and cash flows.

We may be subject to product liability claims, and insurance coverage could be inadequate or unavailable to cover these claims.

We manufacture products used for protection from hazardous or potentially lethal substances, such as chemical and biological toxins, fire, viruses and bacteria. The products that we manufacture are typically used in applications and situations that involve high levels of risk of personal injury. Failure to use our products for their intended purposes, failure to use our products properly or the malfunction of our products could result in serious bodily injury or death of the user. In such cases, we may be subject to product liability claims arising from the design, manufacture or sale of our products. If these claims are decided against us and we are found to be liable, we may be required to pay substantial damages, and our insurance costs may increase significantly as a result. We cannot assure you that our insurance coverage would be sufficient to cover the payment of any potential claim. In addition, we cannot assure you that this or any other insurance coverage will continue to be available or, if available, that we will be able to obtain it at a reasonable cost. Any material uninsured loss could have a material adverse effect on our financial condition, results of operations and cash flows.

Environmental laws and regulations may subject us to significant liabilities.

Our U.S. operations, including our manufacturing facilities, are subject to federal, state and local environmental laws and regulations relating to the discharge, storage, treatment, handling, disposal and remediation of certain materials, substances and wastes. Any violation of any of those laws and regulations could cause us to incur substantial liability to the U.S. Environmental Protection Agency, to the state environmental agencies in any affected state or to any individuals affected by any such violation. If hazardous substances are released from or located on any of our properties, we could incur substantial costs and damages. Any such liability could have a material adverse effect on our financial condition and results of operations.

For example, governmental authorities in the U.S. and in other jurisdictions are increasingly focused on potential contamination resulting from PFAS. Products containing PFAS have been used in manufacturing, industrial, and consumer applications over many decades, including in some of our component materials purchased from suppliers. In 2021, the Biden Administration announced a multi-agency plan to address PFAS contamination, and the U.S. Environmental Protection Agency released its PFAS Strategic Roadmap, which identified a comprehensive approach to addressing PFAS. In August 2022, the U.S. EPA proposed to designate perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA), two of the most common PFAS chemicals, as hazardous substances, which could have wide-ranging impacts on companies across various industries, including ours. We may incur costs in connection with any obligations to transition away from the usage of PFAS-containing products, to dispose of PFAS-containing waste or to remediate any PFAS contamination, which could have a negative effect on our financial position, results of operations and cash flows.

In addition, some environmental laws impose liability, sometimes without fault, for investigating and/or cleaning up contamination on, or emanating from, properties currently or formerly owned, leased or operated by a person, as well as for damages to property or natural resources and personal injury arising out of such contamination. Such liability may be joint and several, meaning that we could be held responsible for more than our share of the liability involved, or even the entire liability.

The regulatory environment in which we operate is subject to change, and new regulations and new or existing claims, such as those related to certain PFAS substances, could have a material adverse effect on our business, financial condition and results of operations or make aspects of our business as currently conducted no longer possible. For example, the Company has been named as a party to a number of lawsuits filed by firefighters related to exposure to PFAS in firefighter turnout gear. These cases are consolidated in *In re: Aqueous Film-Forming Foams Products Liability Litigation*, MDL No.: 2:18-mn-2873-RMG (District of South Carolina, Charleston Division). We may, in the future, be subject to additional claims related to PFAS, including for degradation of natural resources from such PFAS and personal injury or product liability claims as a result of human exposure to such PFAS.

Provisions in our restated certificate of incorporation, by-laws, and Delaware law could make a merger, tender offer or proxy contest difficult.

Our restated certificate of incorporation contains classified board provisions, authorized preferred stock that could be utilized to implement various “poison pill” defenses and a stockholder authorized, but as yet unused, Employee Stock Ownership Plan (“ESOP”), all of which may have the effect of discouraging a takeover of Lakeland, which is not approved by our board of directors. Further, we are subject to the antitakeover provisions of Section 203 of the Delaware General Corporation Law, which prohibit us from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder unless the business combination is approved in the prescribed manner.

Risks Relating to Our Common Stock

The market price of our common stock may fluctuate widely.

The market price of our common stock could be subject to significant fluctuations in response to quarter-to-quarter variations in our operating results, announcements of new products or services by us or our competitors and other events or factors. For example, a shortfall in net sales or net income, or an increase in losses, from levels expected by securities analysts or investors, could have an immediate and significant adverse effect on the market price of our common stock. Volume fluctuations that have particularly affected the market prices of many micro and small capitalization companies have often been unrelated or disproportionate to the operating performance of these companies. These fluctuations and general economic and market conditions may adversely affect the market price for our common stock.

In February 2023, the Company began paying a quarterly cash dividend. Future quarterly dividends are subject to declaration by the Company’s Board of Directors, and the Company’s share repurchase programs do not obligate it to acquire any specific number of shares. If the Company fails to meet expectations related to future growth, profitability, dividends, share repurchases or other market expectations, the price of the Company’s stock may decline significantly, which could have a material adverse impact on investor confidence and employee retention.

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ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 1C: CYBERSECURITY

Cybersecurity Risk Management and Strategy

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats, as such term is defined in Item 106(a) of Regulation S-K. These risks include, among other things, operational disruption, intellectual property theft, fraud, extortion, harm to employees or customers, violation of privacy or security laws and other litigation and legal risks, and reputational risks. We have implemented several cybersecurity processes, technologies, and controls to aid in our efforts to assess, identify, and manage such material risks.

To identify and assess material risks from cybersecurity threats, our enterprise risk management program considers cybersecurity threat risks alongside other company risks as part of our overall risk assessment process. Our enterprise risk professionals collaborate with subject matter specialists, as necessary, to gather insights for identifying and assessing material cybersecurity threat risks, their severity, and potential mitigations. We employ a range of tools and services, including regular network and endpoint monitoring, vulnerability assessments, and penetration testing, to inform our professionals’ risk identification and assessment.

We also have a cybersecurity specific risk assessment process, which helps identify our cybersecurity threat risks by comparing our program to best practices, as well as by engaging experts to attempt to infiltrate our information systems (as such term is defined in Item 106(a) of Regulation S-K). We test and review the result on an annual basis.

Our cybersecurity program includes controls designed to prevent, identify, protect against, detect, respond to and recover from cybersecurity incidents (as such term is defined in Item 106(a) of Regulation S-K), and to provide for the availability of critical data and systems and to maintain regulatory compliance. These controls include the following activities:

- monitor emerging data protection laws and implement changes to our processes designed to comply;
- conduct regular cybersecurity management and incident training for all employees;
- conduct regular phishing email simulations for all employees with access to corporate email systems to enhance awareness and responsiveness to such possible threats. Any employee who fails a phishing test is automatically enrolled in additional cyber training;
- through policy, practice and contract (as applicable) require employees, as well as third parties who provide services on our behalf, to treat customer information and data with care;
- maintain multiple layers of controls, including embedding technological and administrative security features into our technology investments, multi-factor authentication tools, system access policies and privileges, and network configuration;
- perform annual system access audit with all departments and personnel;
- review access logs and continually monitor detection alerts;
- conduct annual tabletop exercises to simulate cyber incidents to refine cyber security policies, further;
- implement a remote disaster recovery backup site and fail over testing.

We perform periodic internal assessments to test our cybersecurity controls and regularly evaluate our policies and procedures surrounding our handling and control of personal data and the systems we have in place to help protect us from cybersecurity or personal data breaches, and we perform periodic internal assessments to test our controls and to help us identify areas for continued focus, improvement, and/or compliance.

We have established a cybersecurity risk management process that includes internal reporting of significant cybersecurity risk to our board when found. In addition, our incident response plan coordinates the activities we take to prepare for, detect, respond to and recover from cybersecurity incidents. These include processes to triage, assess severity, escalate, contain, investigate, and remediate the incident, as well as comply with potentially applicable legal obligations and mitigate brand and reputational damage.

Our processes also address cybersecurity threat risks associated with our use of third-party service providers, including those in our supply chain or who have access to our customer and employee data or our systems. Third-party risks are included within our enterprise risk management program, as well as our cybersecurity-specific risk identification program, both of which are discussed above. In addition, cybersecurity considerations affect the selection and oversight of our third-party service providers.

We describe whether and how risks from identified cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition, under the heading “*Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information and adversely impact our reputation and results of operations*” included as part of our risk factor disclosures at Item 1A of this Annual Report on Form 10-K which disclosures are incorporated by reference herein.

In the last three fiscal years, we have not experienced any material cybersecurity incidents and the expenses we have incurred from them were immaterial. This includes penalties and settlements, of which there were none.

Cybersecurity Governance

Cybersecurity is an important part of our enterprise risk management program and an area of increasing focus for our Board and management. We have established a Cyber Security Council, comprised of top-level executives and board members, that acts under the oversight of our Audit Committee. The Cyber Security Council is responsible for the oversight of risks from cybersecurity threats. Management is informed about and monitors the prevention, mitigation, detection, and remediation of cybersecurity incidents through their management of and participation in the cybersecurity risk management process described above, including the operation of our incident response plan. Annually, the Cyber Security Council receives an overview from management of our cybersecurity threat risk management process and strategy covering topics such as data security posture, results from security assessments, progress towards pre-determined risk-mitigation-related goals, our incident response plan, and material cybersecurity threat risks or incidents and developments, as well as the steps management has taken to respond to such risks. In such sessions, the Cyber Security Council generally receives materials, including current and emerging material cybersecurity threat risks and describing the company’s ability to mitigate those risks, and discusses such matters with our Vice President of Information Technology.

Members of the Cyber Security Council are also encouraged to regularly engage in ad hoc conversations with management on cybersecurity-related news events and discuss any updates to our cybersecurity risk management process. Material cybersecurity threat risks are also considered during separate Board meeting discussions of important matters like enterprise risk management, operational budgeting, business continuity planning, mergers and acquisitions, brand management, and other relevant matters. Any potential threat or incident is reported to the Cyber Security Council based on the severity and potential risk based on the escalation procedure as defined by the Incident Response Plan.

Our cybersecurity risk management process, which is discussed in greater detail above, is led by our Vice President of Information Technology. This individual has over thirty years of prior work experience in various Information Technology roles including managing information systems and security.

Our Vice President of Information Technology and technology professionals have deep experience and skills related to the development, implementation and monitoring of cyber technology assets. Our technology staff and partners have a strong track record of working with major vendors' security, firewall, identity management, and other platforms.

ITEM 2. PROPERTIES

Our principal executive office is located at 1525 Perimeter Parkway Suite 325, Huntsville, AL 35806 United States. We own or lease our primary facilities. We own our manufacturing locations in AnQui City, China and Jerez, Mexico. We lease our manufacturing locations in Buenos Aires, Argentina; Noida, India, and Xuan Trung Commune, Vietnam.

We believe that all of our facilities, including the manufacturing facilities, are in good repair and suitable condition for their intended purpose.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to litigation arising in the ordinary course of our business. We are not currently a party to any litigation or other legal proceedings that we believe could reasonably be expected to have a material adverse effect on our results of operations, financial condition or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is currently traded on the Nasdaq Market under the symbol “LAKE.” On April 5, 2024, there were 30 registered holders of our shares of common stock. This number of registered holders does not represent the actual number of beneficial owners of our common stock because shares are frequently held in “street name” by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

Dividend Policy

Prior to February 2023, we had not paid any cash dividends on our common stock. In February 2023, the Company began paying a quarterly cash dividend of \$0.03 per share. The payment and rate of future cash or stock dividends, if any, or stock repurchase programs are subject to the discretion of our board of directors and will depend upon our earnings, financial condition, capital or contractual restrictions under our credit facilities and other factors. There is no guarantee that additional dividends will be declared and paid at any time.

Issuer Purchase of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased	Maximum Dollar Amount of Shares that
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			as Part of Publicly Announced Programs	May Yet Be Purchased Under the Programs
November 1 – November 30	—	\$	—	\$ 5,030,479
December 1 – December 31	---	\$	---	\$ 5,030,479
January 1 – January 31	---	\$	---	\$ 5,030,479
Total	---	\$	---	\$ 5,030,479 ⁽¹⁾

⁽¹⁾ Represents the amount remaining under our share repurchase program as of January 31, 2024.

On February 17, 2021, the Company's Board of Directors approved a stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock. On July 6, 2021, the Board of Directors authorized an increase in the Company's then-current stock repurchase program under which the Company may repurchase up to an additional \$5 million of its outstanding common stock. On April 7, 2022, the Board of Directors authorized a new stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock, which became effective upon the completion of the prior share repurchase program. On December 1, 2022, the Board of Directors authorized an increase in the share repurchase program under which the Company may repurchase up to an additional \$5 million of its outstanding common stock. The share repurchase program has no expiration date but may be terminated by the Board of Directors at any time.

We do not have any other share repurchase programs.

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ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following summary together with the more detailed business information and consolidated financial statements and related notes that appear elsewhere in this Form 10-K and in the documents that we incorporate by reference into this Form 10-K. This document may contain certain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. In this Form 10-K, (a) "FY" means fiscal year; thus for example, FY24 refers to the fiscal year ended January 31, 2024, and (b) "Q" refers to a quarter; thus, for example, Q4 FY24 refers to the fourth quarter of the fiscal year ended January 31, 2024.

Overview

We manufacture and sell a comprehensive line of industrial protective clothing and accessories for the industrial and public protective clothing market. Our products are sold globally by our in-house sales teams, our customer service group, and authorized independent sales representatives to a network of over 2,000 global safety and industrial supply distributors. Our authorized distributors supply end users, such as integrated oil, chemical/petrochemical, automobile, steel, glass, construction, smelting, cleanroom, janitorial, pharmaceutical, and high technology electronics manufacturers, as well as scientific, medical laboratories and the utilities industry. In addition, we supply federal, state and local governmental agencies and departments, such as fire and law enforcement, airport crash rescue units, the Department of Defense, the Department of Homeland Security and the Centers for Disease Control. Internationally, we sell to a mixture of end users directly and to industrial distributors depending on the particular country and market. In addition to the United States, sales are made to more than 50 foreign countries, the majority of which were in China, countries within the European Economic Community ("EEC"), Canada, Chile, Argentina, Russia, Kazakhstan, Colombia, Mexico, Ecuador, India, Middle East and countries within Southeast Asia.

We had net sales of \$124.7 million in FY24 and \$112.8 million in FY23.

We have operated facilities in Mexico since 1995 and in China since 1996. Beginning in 1995, we moved the labor-intensive sewing operation for our limited use/disposable protective clothing lines to these facilities. Our facilities and capabilities in China and Mexico allow our access to a labor pool that is less expensive than that available in the United States and permits us to purchase certain raw materials at a lower cost than they are available domestically. During FY24, the Company was impacted by tariff costs on certain products imported from China. The Company has been able to pass along a portion of these costs to its customers. We added manufacturing operations in Vietnam and India in fiscal 2019 to offset increasing manufacturing costs in China and further diversify our manufacturing capabilities. Our China operations will continue primarily manufacturing for the Chinese market and other markets where duty advantages exist. Manufacturing expansion is not only necessary to control rising costs, it is also necessary for Lakeland to achieve its growth objectives.

Our net sales attributable to customers outside the United States were \$69.4 million and \$63.9 million for the fiscal years ended January 31, 2024 and 2023, respectively.

On November 30, 2023, we acquired New Zealand-based Pacific Helmets NZ Limited ("Pacific") in an all-cash transaction valued at approximately \$8.6 million, subject to post-closing adjustments and customary holdback provisions. Pacific is a leading designer and manufacturer of helmets for the structural firefighting, wildland firefighting, and rescue markets. The company has 70 employees and is headquartered in Whanganui, New Zealand. Pacific provides differentiated product offerings through its innovative and premium solutions. The existing staff and the majority of the management team will remain in place and will continue to service customer needs.

On December 2, 2022, we acquired UK-based Eagle Technical Products Limited ("Eagle") in an all-cash transaction valued at approximately \$10.5 million, net of net working capital acquired, subject to post-closing adjustments and potential future earnout payments. The acquisition enhances Lakeland's product portfolio, particularly within fire service protective clothing and expands its sales presence in the Middle East and Europe. Headquartered in Manchester, UK, Eagle is a leading designer and provider of protective apparel to the fire and industrial sectors. Eagle provides differentiated product offerings through its innovative and technical solutions.

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The cost to manufacture and distribute our products is influenced by the cost of raw materials, finished goods, labor, and transportation. During FY24, we have experienced continued inflationary pressure and higher costs as a result of the increasing cost of raw materials, finished goods, labor, transportation, and other administrative costs associated with the normal course of business. The increase in the cost of raw materials and finished goods is due in part to a shortage in the availability of certain products, the higher cost of shipping, and inflation. We can only pass elevated costs onto customers in an effort to offset inflationary pressures on a limited basis. Future volatility of general price inflation and the impact of inflation on costs and availability of materials, costs for shipping and warehousing and other operational overhead could adversely affect our financial results.

Impact of Russia's Invasion of Ukraine on Our Business

The current conflict between Russia and Ukraine is creating substantial uncertainty about the role Russia will play in the global economy in the future. Although the length, impact, and outcome of the ongoing military conflict between Russia and Ukraine are highly unpredictable, this conflict could lead to significant market disruptions and other disruptions. The escalation or continuation of this conflict presents heightened risks and has resulted and could continue to result in volatile commodity markets, supply chain disruptions, increased risk of cyber incidents or other disruptions to information systems, heightened risks to employee safety, significant volatility of the Russian ruble, limitations on access to credit markets, increased operating costs (including fuel and other input costs), the frequency and volume of failures to settle securities transactions, inflation, potential for increased volatility in commodity, currency and other financial markets, safety risks, and restrictions on the transfer of funds to and from Russia. We cannot predict how and the extent to which the conflict will affect our customers, operations or business partners or the demand for our products and our global business. Depending on the actions we take or are required to take, the ongoing conflict could also result in loss of cash, assets or impairment charges. Additionally, we may also face negative publicity and reputational risk based on the actions we take or are required to take as a result of the conflict, which could damage our brand image or corporate reputation. We are continually monitoring the potential financial impact of the Russian invasion of Ukraine on our operations.

Our business in Russia accounted for approximately 3.0% and 2.4% of our consolidated net revenues for the years ended January 31, 2024 and 2023, respectively. Our assets in Russia were approximately 2.6% and 2.5% of our consolidated assets at January 31, 2024 and 2023, respectively. The net book value of our assets in Russia on January 31, 2024 was approximately \$4.0 million, of which \$0.3 million is cash. We currently have not recognized any impairment charges related to the assets of our Russian business. However, the extent, severity, duration and outcome of the conflict between Russia and Ukraine and related sanctions could potentially impact the value of our assets in Russia as the conflict continues. Our Russian business is part of our Other Foreign segment.

Our sales in Ukraine were not significant.

Critical Accounting Policies and Estimates

Revenue Recognition. Substantially all of the Company's revenue is derived from product sales, which consist of sales of the Company's personal protective wear products to distributors. The Company considers purchase orders to be a contract with a customer. Contracts with customers are considered to be short-term when the time between order confirmation and satisfaction of the performance obligations is equal to or less than one year, and virtually all of the Company's contracts are short-term. The Company recognizes revenue for the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company typically satisfies its performance obligations in contracts with customers upon shipment of the goods. Generally, payment is due from customers within 30 to 90 days of the invoice date, and the contracts do not have significant financing components. The Company elected to account for shipping and handling activities as a fulfillment cost rather than a separate performance obligation. Shipping and handling costs associated with outbound freight are included in operating expenses, and for FY24 and FY23 aggregated approximately \$3.4 million and \$3.2 million, respectively. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue.

The transaction price includes estimates of variable consideration related to rebates, allowances, and discounts that are reductions in revenue. All estimates are based on the Company's historical experience, anticipated performance, and the Company's best judgment at the time the estimate is made. Estimates for variable consideration are reassessed each reporting period and are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur upon resolution of uncertainty associated with the variable consideration. All the Company's contracts have a single performance obligation satisfied at a point in time and the transaction price is stated in the contract, usually as quantity times price per unit.

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Inventories. Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost (on a first-in, first-out or moving average basis) or net realizable value. Allowances are recorded for slow-moving, obsolete or unusable inventory. We assess our inventory for estimated obsolescence or unmarketable inventory and write down the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future sales and supply on hand, if necessary. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. The Company recorded approximately \$3.4 million and \$1.3 million in inventory adjustments in FY24 and FY23, respectively. The inventory adjustments in FY24 included \$2.3 million in adjustments for certain products that the Company decided to discontinue or no longer support from a sales and marketing perspective.

Income Taxes. The Company is required to estimate its income taxes in each of the jurisdictions in which it operates as part of preparing the consolidated financial statements. This involves estimating the actual current tax in addition to assessing temporary differences resulting from differing treatments for tax and financial accounting purposes. These differences, together with net operating loss carryforwards and tax credits, are recorded as deferred tax assets or liabilities on the Company's consolidated balance sheet. A judgment must then be made of the likelihood that any deferred tax assets will be recovered from future taxable income. A valuation allowance may be required to reduce deferred tax assets to the amount that is more likely than not to be realized. In the event the Company determines that it may not be able to realize all or part of its deferred tax asset in the future or that new estimates indicate that a previously recorded valuation allowance is no longer required, an adjustment to the deferred tax asset is charged or credited to income in the period of such determination. In FY24 and FY23, we recorded a change in our valuation allowance of approximately \$3.1 million and \$0.4 million, respectively.

The Company recognizes tax positions that meet a "more likely than not" minimum recognition threshold. If necessary, the Company recognizes interest and penalties associated with tax matters as part of the income tax provision and would include accrued interest and penalties with the related tax liability in the consolidated balance sheets.

Business combinations. In accordance with the accounting guidance for business combinations, the Company uses the acquisition method of accounting to allocate costs of acquired businesses to the assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition. The excess of the purchase price over the estimated fair value of assets and liabilities is recorded as goodwill. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires knowledge of current market values and the values of assets in use and often requires the application of judgment regarding estimates and assumptions. While the ultimate responsibility resides with management, for material acquisitions, we retain the services of certified valuation specialists to assist with assigning estimated values to certain acquired assets and assumed liabilities, including intangible assets, tangible long-lived assets, and contingent consideration. Acquired intangible assets, excluding goodwill, are valued using certain discounted cash flow methodologies based on future cash flows specific to the type of intangible asset purchased. Several significant assumptions and estimates were involved in the application of these valuation methods, including forecasted sales volumes and prices, royalty rates, costs to produce, tax rates, discount rates, attrition rates and working capital changes.

If the contingent consideration is deemed significant or absent an agreed-upon payout amount, the initial measurement of contingent consideration and the corresponding liability is evaluated using the Monte Carlo Method. For this valuation method, management develops projections during the contingent consideration period utilizing various potential pay-out scenarios. Probabilities are applied to each potential scenario, and the resulting values are discounted using a rate that considers weighted average cost of capital as well as a specific risk premium associated with the riskiness of the contingent consideration itself, the related projections, and the overall business. Should actual results increase or decrease as compared to the assumption used in our analysis, the fair value of the contingent consideration obligations will increase or decrease, up to the contracted limit, as applicable. Changes in the fair value of the contingent earn-out consideration could cause a material impact and volatility in our operating results.

Refer to Note 1, "Business and Summary of Significant Accounting Policies," and Note 5, "Acquisitions," to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for further information on the Company's business acquisitions.

Equity Method Investments. Investments in which the Company can exercise significant influence but do not control, are accounted for using the equity method and are presented on the consolidated balance sheets. The Company's share of the net earnings or losses of the investee is presented within the consolidated statements of operations as other income (expense). The Company evaluates its equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the severity of the decline; and the financial condition, operating performance and near-term prospects of the investee. If the decline in fair value is deemed to be other than temporary, the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company estimates fair value based on a discounted cash flow model and a market-based approach using inputs which include expected cash flows and a discount rate representative of the risks within the underlying business and forecasts to arrive at the estimated fair value of such investment. The Company's assessment of the foregoing factors involves a high degree of judgment and accordingly, actual results may differ materially from the Company's estimates and judgments.

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Net Income Per Share. Basic net income per share is based on the weighted average number of common shares outstanding without consideration of common stock equivalents. Diluted net income per share is based on the weighted average number of common shares and common stock equivalents. The diluted net income per share calculation takes into account unvested restricted shares and the shares that may be issued upon the exercise of stock options and warrants, reduced by shares that may be repurchased with the funds received from the exercise, based on the average price during the fiscal year.

Recent Developments

On February 1, 2024, the Company's Board of Directors declared a quarterly cash dividend. The quarterly dividend of \$0.03 per share or approximately \$0.2 million, was paid on February 22, 2024, to stockholders of record as of February 15, 2024.

On February 5, 2024, the "Company acquired Italy and Romania-based Jolly Scarpe S.p.A. and Jolly Scarpe Romania S.R.L. (collectively, "Jolly") in an all-cash transaction valued at approximately \$9.3 million subject to post-closing adjustments and customary holdback provisions. The Company drew down \$12.3 million on its credit line to fund the acquisition, with a portion of the funds used to paydown Jolly's existing debt. Jolly is a leading designer and manufacturer of professional footwear for the firefighting, military, police, and rescue markets. The company is headquartered in Montebelluna, Italy, with manufacturing operations in Bucharest, Romania, and has 150 employees. Jolly's primary customers are based in Europe.

On February 13, 2024, the Company made an additional funding investment of £500,000 (\$0.6 million on the date of investment) in Bodytrak's convertible notes.

On March 28, 2024, the Company entered into Amendment No. 4 to the Loan Agreement by and between Bank of America, N.A. (the "Lender") and the Company (the "Fourth Amendment"). Pursuant to the Fourth Amendment, the Lender and the Company agreed to, among other things, (i) extend the expiration date of the credit facility to March 28, 2029, (ii) increase the availability under the revolving credit facility to \$40.0 million with an accordion feature providing for the potential funding of an additional \$10.0 million, (iii) remove the borrowing base component of the credit facility; and (iv) modify the interest rate based on Daily SOFR plus the Applicable Rate. The Applicable Rate is based upon a Funded Debt to EBITDA Ratio and includes four (4) different levels constituting a SOFR margin range from 1.25% to 2.00%. In addition, the Fourth Amendment (i) modified the Funded Debt to EBITDA Ratio covenant so as not to exceed 3.5x (with step-downs to 3.25 and 3.0 in 2025 and 2026), (ii) modified the Basic Fixed Charge Coverage Ratio covenant to a minimum of 1.20x, (iii) includes a springing Asset Coverage Ratio covenant of at least 1.10x, but only to the extent that the maximum Total Leverage Ratio exceeds 3.00x at any reporting period, (iv) increases the sublimit for letters of credit to \$10.0 million, and (v) imposes a floor to Daily SOFR of one percent (1.00%). The Fourth Amendment provides for additional indebtedness or the assumption of existing indebtedness for acquisitions of foreign subsidiaries (not to exceed \$10.0 million in USD) and increases the size of Permitted Acquisitions, without prior approval from the Lender, to \$17.5 million per occurrence and \$35.0 million in the aggregate.

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Significant Balance Sheet Fluctuation January 31, 2024, as Compared to January 31, 2023

Cash increased by \$0.7 million, primarily as a result of \$10.8 million of cash provided by operations coupled with \$4.6 million in proceeds from the sale of our Canada warehouse facility. The Company invested \$5.4 million in the Pacific acquisition and \$2.2 million in Bodytrak and \$2.0 million in capital expenditures. The Company used \$3.5 million in financing activities including paying down \$1.4 million in debt acquired from Pacific, \$0.4 million in the UK credit facility, \$0.3 million in stock repurchases and \$0.9 million in dividends. Operating cash flow changes were driven by \$7.6 million in inventory reductions, increases in accruals of \$2.5 million and increases in accounts receivables and prepayments of \$1.5 million.

Results of Operations

The following tables set forth our external sales by our product lines and geographic regions and our historical results of continuing operations as a percentage of our net sales from operations, for the years and three-months ended January 31, 2024 and 2023.

	Three Months Ended January 31, (Unaudited)		Year Ended January 31,	
	2024	2023	2024	2023
External Sales by Product Line:				
Disposables	\$ 12.9	\$ 13.9	\$ 49.6	\$ 55.2
Chemical	4.9	4.8	20.3	22.2
Fire Services	6.5	5.5	26.5	14.7
Gloves	0.5	0.5	2.2	2.3
High Visibility	1.2	1.2	6.6	5.8
High Performance Wear	1.7	1.2	6.9	5.0
Wovens	3.5	1.9	12.6	7.6
Consolidated external sales	\$ 31.2	\$ 29.0	\$ 124.7	\$ 112.8

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	Three Months Ended January 31, (Unaudited)		Year Ended January 31,	
	2024	2023	2024	2023
External Sales by region:				

USA	\$	12.7	\$	11.9	\$	55.2	\$	49.0
Other foreign		3.3		1.8		9.9		7.2
Europe (UK)		3.7		3.0		16.3		8.3
Mexico		1.1		0.8		4.0		3.7
Asia		4.0		5.6		13.8		24.7
Canada		2.1		2.1		9.4		9.1
Latin America		4.3		3.8		16.1		10.8
Consolidated external sales	\$	31.2	\$	29.0	\$	124.7	\$	112.8

	Three Months Ended January 31, (Unaudited)		Year Ended January 31,	
	2024	2023	2024	2023
	100.0%	100.0%	100.0%	100.0%
Net sales				
Cost of goods sold	64.1%	62.5%	58.9%	59.4%
Gross profit	35.9%	37.5%	41.1%	40.6%
Operating expenses	46.4%	37.2%	36.3%	35.7%
Operating profit	(10.5)%	0.3%	4.8%	4.9%
Other income, net	11.5%	0.3%	2.7%	0.0%
Interest expense	0.1%	0.0%	0.0%	0.1%
Income before tax	0.9%	0.6%	7.5%	4.8%
Income tax expense	4.0%	(0.0)%	3.2%	3.2%
Net income (loss)	(3.1)%	0.6%	4.4%	1.6%

Net Sales. Net sales increased to \$124.7 million for the year ended January 31, 2024 compared to \$112.8 million for the year ended January 31, 2023, an increase of \$11.9 million. Sales in the U.S. increased \$6.2 million or 12.7%, primarily due to increased sales of fire services gear and improvements in direct container sales. Sales to the Asian market decreased by \$10.9 million or 44.1% due to the reduction in COVID-19 driven demand coupled with slow improvement in the Chinese industrial sector. Sales to the European market increased by \$8.0 million or 96.4%. Eagle was the primary driver with an increase in fire services sales of \$7.2 million in FY24. Eagle was acquired on December 2, 2022 and contributed \$1.3 million in sales in FY23. The remaining increase was due to strengthening in European demand, primarily in the industrial sector. Canada sales increased by \$0.3 million or 3.3% due to improvements in the industrial markets. Latin America sales increased \$5.3 million or 49.1% due to stronger sales in Argentina as many competitors have exited the market due to the weakening Argentine peso and high inflation. Sales into Uruguay increased \$1.1 million or 1.0% due to increased fire services orders. Sales into the Mexican market increased by \$0.3 million or 8.1%, driven by the strengthening Mexican peso against the US dollar. Sales in our other foreign markets increased \$2.2 million, including \$1.0 million in sales from Pacific acquired in November, and a \$1.0 million increase in sales to the Russian market. Sales of our disposable and chemical product line were impacted due to a reduction in COVID-19 demand, primarily in Asia offset by improving demand in our industrial markets. Other product lines, such as fire services, high performance, and wovens, increased by \$18.7 million due to strengthening demand in those markets and the impact of Eagle's sales during FY24.

Gross Profit. Gross profit increased \$5.4 million, or 11.8%, to \$51.2 million for the year ended January 31, 2024, from \$45.8 million for the year ended January 31, 2023. Gross profit as a percentage of net sales increased to 41.1% for the year ended January 31, 2024 from 40.6% for the year ended January 31, 2023. Gross profit performance in FY24 benefited from higher volumes including direct container shipments, related factory utilization and an improving product mix with pricing power. These improvements were offset by \$2.3 million in inventory adjustments for certain end-of-life products and planned disposal of certain products that were constraining manufacturing operations.

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Operating Expense. Operating expenses increased 12.2% from \$40.3 million for the year ended January 31, 2023 to \$45.2 million for the year ended January 31, 2024. Operating expenses as a percentage of net sales were 36.3% for the year ended January 31, 2024, as compared to 35.7% for the year ended January 31, 2023. Operating expenses increased primarily due to increases in currency translation expense of \$1.7 million driven by the devaluation of the Argentine peso in December 2023, restructuring costs of \$1.3 million, administrative costs associated with the Monterrey, Mexico facility of \$0.7 million, acquisition-related expenses of \$0.5 million, and increases in professional expenses, primarily legal and accounting, to support future initiatives. The remaining increase was due to increases in compensation, professional fees and intangibles amortization. The Company evaluated the earnout consideration accrual related to the Eagle acquisition and reduced the accrual by \$2.5 million, which was recorded during FY24 as a reduction in operating expenses.

Operating Profit. Operating profit increased to \$6.0 million for the year ended January 31, 2024, from \$5.5 million for the year ended January 31, 2023, due to the impacts detailed above. Operating margin decreased to 4.8% for the year ended January 31, 2024, compared to 4.9% for the year ended January 31, 2023.

Interest Expense. Interest expense was less than \$0.1 million for the years ended January 31, 2024 and 2023.

Other Income. On November 27, 2023, the Company sold its office and warehouse facility in Brantford, Ontario to an unrelated party for \$4.9 million. The sale resulted in a pre-tax gain, after selling expenses, of approximately \$3.8 million. Going forward, the Company will utilize third party logistics providers for customer fulfillment in Canada.

Income Tax Expense. Income tax expense consists of federal, state and foreign income taxes. Income tax expense was \$3.9 million and included \$0.8 million associated with the GILTI component of the Tax Act of 2017 for the year ended January 31, 2024, as compared to an income tax expense of \$3.6 million and included \$0.2 million associated with the GILTI component of the Tax Act of 2017 for the year ended January 31, 2023. All international subsidiaries impacted the GILTI component of income tax expense. The Company changed its permanent reinvestment assertions for its Chinese operations during the second quarter of FY23 due to increased volatility of the Chinese yuan and an updated evaluation of investment strategies. The Company recorded \$2.0 million in withholding taxes for a planned repatriation during FY23.

Net Income. Net income increased to \$5.4 million for the year ended January 31, 2024 from \$1.9 million for the year ended January 31, 2023.

Fourth Quarter Results

Net sales and net loss were \$31.2 million and (\$1.0) million, respectively, for Q4 FY24, as compared to sales of \$29.0 million and net income of \$0.6 million, for Q4 FY23.

Factors affecting Q4 FY24 results of operations included:

- Improvement in sales for fire services due to the acquisition of Pacific and strengthening in the Latin America market, primarily Argentina.
- Margins were impacted by the Argentine peso devaluation and, the write-down of the carrying value of certain inventory.
- The Company recognized a gain on the sale of its Canada facility.

Liquidity and Capital Resources

At January 31, 2024, cash and cash equivalents were approximately \$25.2 million and working capital was approximately \$83.2 million. Cash and cash equivalents increased \$0.5 million and working capital decreased \$3.8 million from January 31, 2023 reflecting the impact of the Company's purchase of Pacific and additional investment in Bodytrak offset by the sale of our Canadian facility.

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Of the Company's total cash and cash equivalents of \$25.2 million as of January 31, 2024, cash held in Latin America of \$4.1 million, cash held in Hong Kong of \$1.7 million, cash held in the UK of \$1.7 million, cash held in Vietnam of \$0.8 million, cash held in India of \$0.6 million and cash held in Canada of \$4.5 million would not be subject to additional US income tax in the event such cash was repatriated due to the change in the U.S. tax law as a result of the 2017 Tax Cuts and Jobs Act (the "Tax Act"). The Company monitors its financial depositories by their credit rating, which varies by country. In addition, cash balances in banks in the United States are insured by the FDIC subject to certain limitations. There was approximately \$3.3 million included in U.S. bank accounts and approximately \$21.9 million in foreign bank accounts as of January 31, 2024, of which \$24.4 million was uninsured. These balances could be impacted if one or more of the financial institutions with which the Company deposits its funds fails or is subject to other adverse conditions in the financial or credit markets. To date, the Company has experienced no loss of principal or lack of access to invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be affected if the financial institutions that hold the Company's cash and cash equivalents fail. See Part I, Item 1A. Risk Factors in this Annual Report on Form 10-K under the caption "Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our business, financial condition or results of operations."

The Company strategically employs an intercompany dividend plan subject to subsidiary profitability, cash requirements and withholding taxes. During FY23 the Company changed its' permanent reinvestment assertions for its Chinese operations due to the increased volatility of the Chinese yuan and an updated evaluation of investment strategies. During FY24 the Company's subsidiaries in Canada and China declared and paid dividends of \$4.5 million and \$7.0 million, respectively.

Net cash provided by operating activities of \$10.9 million for the year ended January 31, 2024 was primarily due to a decrease in net inventories of \$7.7 million and an increase in accounts payable and accrued expenses of \$2.4 million offset by an increase in accounts receivable and prepaids of \$1.6 million due to stronger Q4 FY24 sales. Net non-cash income items were \$3.0 million due to the gain on the sale of our Canadian facility of \$3.8 million and the revaluation of the Eagle earnout of \$2.5 million. These items were partially offset by the impact of depreciation and amortization and equity compensation expense. Net cash used in investing activities of \$5.1 million for the year ended January 31, 2024 includes the \$5.5 million Pacific acquisition and reflects the Company's further investment of \$2.2 million in Bodytrak®. Property and equipment purchases totaled \$2.1 million primarily for equipment purchases in Mexico and Vietnam. These investments were offset by \$4.6 million in proceeds from the sale of the Canadian facility. Net cash used in financing activities was \$3.5 million for the year ended January 31, 2024 due to \$0.9 million in dividends, \$1.8 million in net debt repayments, primarily \$1.4 million of debt acquired with the Pacific acquisition, \$0.3 million of stock repurchases and \$0.4 million in shares returned to pay taxes for our restricted stock programs.

Net cash used in operating activities of \$5.5 million for the year ended January 31, 2023 was primarily due to an increase in net inventories of \$9.7 million and an increase in accounts receivable of \$2.3 million due to stronger Q4 FY23 sales, partially offset by non-cash expenses of \$3.6 million for deferred taxes, depreciation and amortization, and stock compensation. Net cash used in investing activities of \$16.5 million for the year ended January 31, 2023 includes the \$10.5 million Eagle acquisition and reflects the Company's \$3.1 million investment in Bodytrak®. Purchases of property and equipment were \$2.0 million as the Company increased capital expenditures in the year for the ERP project and equipment purchases in Mexico and Vietnam. Net cash used in financing activities was \$5.9 million for the year ended January 31, 2023 primarily due to the purchase of \$5.4 million of our common stock.

On June 25, 2020, we entered into a Loan Agreement (the "Loan Agreement") with Bank of America ("Lender"). The Loan Agreement provides the Company with a secured \$12.5 million revolving credit facility, which includes a \$5.0 million letter of credit sub-facility. The Company may request from time to time an increase in the revolving credit loan commitment of up to \$5.0 million (for a total commitment of up to \$17.5 million). Borrowing pursuant to the revolving credit facility is subject to a borrowing base amount calculated as (a) 80% of eligible accounts receivable, as defined, plus (b) 50% of the value of acceptable inventory, as defined, minus (c) certain reserves as the Lender may establish for the amount of estimated exposure, as reasonably determined by the Lender from time to time, under certain interest rate swap contracts. The borrowing base limitation only applies during periods when the Company's quarterly funded debt to EBITDA ratio, as defined, exceeds 2.00 to 1.00. The credit facility was to mature on June 25, 2025. Borrowings under the revolving credit facility bear interest at a rate per annum equal to the sum of the LIBOR Daily Floating Rate ("LIBOR"), plus 125 basis points. LIBOR is subject to a floor of 100 basis points. On March 3, 2023 the Company changed the benchmark interest rate in our credit facility from the LIBOR to the Secured Overnight Financing Rate ("SOFR"). All outstanding principal and unpaid accrued interest under the revolving credit facility is due and payable on the maturity date. On a one-time basis, and subject to there not existing an event of default, the Company may elect to convert up to \$5.0 million of the then outstanding principal of the revolving credit facility to a term loan facility with an assumed amortization of 15 years and the same interest rate and maturity date as the revolving credit facility. The Loan Agreement provides for an annual unused line of credit commitment fee, payable quarterly, of 0.25%, based on the difference between the total credit line commitment and the average daily amount of credit outstanding under the facility during the preceding quarter.

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On June 18, 2021, the Company entered into Amendment No. 1 to Loan Agreement (the "Amendment") with the Lender, which modified certain terms of the Company's existing Loan Agreement with the Lender. The Amendment increased the credit limit under the Loan Agreement's senior secured revolving credit facility from \$12.5 million to \$25.0 million. The Amendment also amended the covenant in the Loan Agreement that restricts acquisitions by the Company or its subsidiaries in order to allow, without the prior consent of the Lender, acquisitions of a business or its assets if there is no default under the Loan Agreement and the aggregate consideration does not exceed \$7.5 million for any individual acquisition or \$15.0 million on a cumulative basis for all such acquisitions.

The Loan Agreement requires the Company to maintain a Funded Debt to EBITDA (as each such term is defined in the Loan Agreement) ratio of 3.0 to 1.0 or less and a Basic Fixed Charge Coverage Ratio (as defined in the Loan Agreement) of at least 1.15 to 1.0. The Loan Agreement also contains customary covenants, including covenants that, among other things, limit or restrict the Company's and/or the Company's subsidiaries ability, subject to certain exceptions and qualifications, to incur liens or indebtedness, or merge, consolidate or sell or otherwise transfer assets.

On November 30, 2023, the Company entered into Amendment No. 3 to the Loan Agreement by and between Bank of America, N.A. (the "Lender") and the Company (the "Third Amendment"). Pursuant to the Third Amendment, the Lender consented to the Company's acquisition of one hundred percent (100%) of the equity interests of Pacific. The Third Amendment further provided for certain amendments to the Loan Agreement to permit additional indebtedness to be made available to Pacific, to exempt Pacific from certain requirements of the Loan Agreement pertaining to subsidiary guaranty and asset pledges that would otherwise be required under the Loan Agreement and to waive the Company's borrowing base limitations through January 31, 2024. The Third Amendment also provided for the reaffirmation of representations, warranties and covenants under the Loan Agreement as are customary in connection with similar amendments of credit documents.

As of January 31, 2024, the Company had no borrowings under the Loan Agreement, and there was \$25 million of additional available credit under the Loan Agreement.

On February 5, 2024, the Company acquired Italy and Romania-based Jolly Scarpe S.p.A. and Jolly Scarpe Romania S.R.L. (collectively, "Jolly") in an all-cash transaction valued at approximately \$9.3 million subject to post-closing adjustments and customary holdback provisions. The Company drew down \$12.3 million on its credit line to fund the acquisition which included paydown of existing Jolly debt. Jolly is a leading designer and manufacturer of professional footwear for the

firefighting, military, police, and rescue markets. The company is headquartered in Montebelluna, Italy, with manufacturing operations in Bucharest, Romania, and has 150 employees.

On March 28, 2024, the Company entered into Amendment No. 4 to Loan Agreement by and between Bank of America, N.A. (the “Lender”) and the Company (the “Fourth Amendment”). Pursuant to the Fourth Amendment, the Lender and the Company agreed to, among other things, (i) extend the expiration date of the credit facility to March 28, 2029, (ii) increase the availability under the revolving credit facility to \$40.0 million with an accordion feature providing for the potential funding of an additional \$10.0 million, (iii) remove the borrowing base component of the credit facility; and (iv) modify the interest rate based on Daily SOFR plus the Applicable Rate. The Applicable Rate is based upon a Funded Debt to EBITDA Ratio and includes four (4) different levels constituting a SOFR margin range from 1.25% to 2.00%. In addition, the Fourth Amendment (i) modified the Funded Debt to EBITDA Ratio covenant so as not to exceed 3.5x (with step-downs to 3.25 and 3.0 in 2025 and 2026), (ii) modified the Basic Fixed Charge Coverage Ratio covenant to a minimum of 1.20x, (iii) includes a springing Asset Coverage Ratio covenant of at least 1.10x, but only to the extent that the maximum Total Leverage Ratio exceeds 3.00x at any reporting period, (iv) increases the sublimit for letters of credit to \$10.0 million, and (v) imposes a floor to Daily SOFR of one percent (1.00%). The Fourth Amendment provides for additional indebtedness or the assumption of existing indebtedness for acquisitions of foreign subsidiaries (not to exceed \$10.0 million in USD) and increased the size of Permitted Acquisitions, without prior approval from the Lender, to \$17.5 million per occurrence and \$35.0 million in the aggregate.

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We believe that our current cash, cash equivalents, borrowing capacity under our Loan Agreement and the cash to be generated from expected product sales will be sufficient to meet our projected operating and investing requirements for at least the next twelve months. However, our liquidity assumptions may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. We were in compliance with all financial covenants of the Loan Agreement as of January 31, 2024.

Stock Repurchase Program. On February 17, 2021, the Company’s Board of Directors approved a stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock. On July 6, 2021, the Board of Directors authorized an increase in the Company’s then-current stock repurchase program under which the Company may repurchase up to an additional \$5 million of its outstanding common stock. On April 7, 2022, the Board of Directors authorized a new stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock which became effective upon the completion of the prior share repurchase program. On December 1, 2022, the Board of Directors authorized an increase in the share repurchase program under which the Company may repurchase up to an additional \$5 million of its outstanding common stock. The share repurchase program has no expiration date but may be terminated by the Board of Directors at any time.

The common shares available for repurchase under the authorizations currently in effect may be purchased from time to time, with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other relevant considerations. Repurchases may be made on the open market or through privately negotiated transactions.

Shares repurchased in FY24 totaled 27,514 shares at a cost of \$0.3 million, leaving \$5.0 million remaining under the share repurchase program at January 31, 2024. The share repurchase program has no expiration date but may be terminated by the Board of Directors at any time.

Capital Expenditures. Our capital expenditures for FY24 of \$2.1 million principally relate to our capital purchases for our manufacturing facilities in Vietnam and Mexico. We anticipate FY25 capital expenditures to be approximately \$3.0 million to replace existing equipment in the normal course of operations and expand our fire services products manufacturing capabilities. We expect to fund the capital expenditures from our cash flow from operations.

Recently Adopted and Recently Issued Accounting Standards

Income Taxes

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” This guidance requires a public entity to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if the items meet a quantitative threshold. The guidance also requires all entities to disclose annually income taxes paid (net of refunds received) disaggregated by federal (national), state and foreign taxes and to disaggregate the information by jurisdiction based on a quantitative threshold. This guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted, and this guidance should be applied prospectively but there is the option to apply it retrospectively. The Company plans to adopt the provisions of this guidance in conjunction with our Form 10-K for our fiscal year ending January 31, 2026.

Segment Reporting

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” This guidance requires a public entity to disclose for each reportable segment, on an interim and annual basis, the significant expense categories and amounts that are regularly provided to the chief operating decision-maker (“CODM”) and included in each reported measure of a segment’s profit or loss. Additionally, it requires a public entity to disclose the title and position of the individual or the name of the group or committee identified as the CODM. This guidance is effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the guidance should be applied retrospectively to all periods presented in the financial statements, unless it is impracticable. The Company plans to adopt the provisions of this guidance in conjunction with our Form 10-K for the fiscal year ending January 31, 2025.

OECD and Pillar Two

In 2021, the Organization for Economic Cooperation and Development (OECD) announced an Inclusive Framework on Base Erosion and Profit Shifting including Pillar Two Model Rules defining the global minimum tax, which calls for the taxation of large multinational corporations at a minimum rate of 15%. Subsequently multiple sets of administrative guidance have been issued. Many non-U.S. tax jurisdictions have either recently enacted legislation to adopt certain components of the Pillar Two Model Rules beginning in 2024 with the adoption of additional components in later years or announced their plans to enact legislation in future years. Although we expect increased tax compliance efforts as a result of new legislation, we do not expect Pillar Two to have a significant impact on our effective tax rate or our consolidated results of operations, financial position and cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, the Company is not required to provide the information required by this Item and therefore, no disclosure is required under Item 7A for the Company.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Lakeland Industries, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Lakeland Industries, Inc. and subsidiaries (the "Company") as of January 31, 2024 and 2023, the related statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the two years in the period ended January 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended January 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 10, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Acquisitions — Pacific Helmets NZ Limited —Intangible Assets— Refer to Notes 1 and 6 to the financial statements
Critical Audit Matter Description

The Company completed the acquisition of Pacific Helmets NZ Limited ("Pacific") on November 30, 2023. The Company accounted for the acquisition under the acquisition method of accounting for business combinations. Accordingly, the Company allocated the purchase price, on a preliminary basis, to the assets acquired and liabilities assumed based on their estimated fair values. The Company recorded intangible assets related to customer relationships, trade names and trademarks and technological know-how.

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Acquired intangible assets were valued using certain methods including the excess earnings approach and relief from royalty methods specific to the type of intangible asset acquired. Several significant assumptions and estimates were involved in the application of these valuation methods, including forecasted revenue growth rates, EBITDA margins and resulting forecasted cash flows, as well as royalty and discount rates.

Given the fair value determination of the intangible assets for Pacific requires management to leverage complex valuation methodologies and make significant estimates and assumptions related to the forecasts of revenue, EBITDA margins and resulting future cash flows and the selection of royalty and discount rates, performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future revenues and EBITDA margins and resulting future cash flows, the selection of valuation methodologies utilized, and the selection of the royalty and discount rates for the intangible assets, included the following, among others:

- We evaluated the design and operating effectiveness of controls over the valuation of the intangible assets, including management's controls over forecasts which estimate future cash flows and selection of the royalty and discount rates.

- We assessed the reasonableness of management’s forecasts of future revenues, EBITDA margin and cash flows by comparing the projections to historical results, actual results through year-end, and relevant industry reports and evaluated whether the estimated resulting future cash flows were consistent with evidence obtained in other areas of the audit.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodologies and (2) the valuation assumptions used in the fair value analyses by:
 - o Comparing the selected royalty rate to market data for comparable rates.
 - o Testing the mathematical accuracy of the calculations of the royalty and discount rates.
 - o Developing a range of independent estimates for the royalty and discount rates and comparing those to the rates selected by management.

Equity method investment - Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company uses the equity method of accounting to account for its \$4.7 million investment in the Class A stock of Inova Design Solutions Ltd, a private limited company incorporated under the laws of England and Wales and headquartered in the United Kingdom, doing business as Bodytrak® (“Bodytrak”). The Company also holds \$2.2 million of notes receivable from Bodytrak which are convertible into shares of the entity. The Company evaluates its equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If the decline in fair value is deemed to be other than temporary, the investment is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment based on accepted valuation methods, which require management to make significant estimates and assumptions related to future cash flows and the selection of the discount rate used in the valuation.

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We identified the estimation of future cash flows and discount rate associated with the valuation of Bodytrak as a critical audit matter due to the significant judgments required in the estimation of future revenues and resulting cash flows and the selection of the discount rate. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management’s forecasts of future cash flows and the selection of the discount rate.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the estimates and assumptions utilized in the determination of fair value used for the impairment analysis included the following, among others:

- We evaluated the design and tested the operating effectiveness of controls related to the accounting for potential impairment of the investment.
- We evaluated the reasonableness of the forecasts of future revenues and resulting cash flows by comparing those estimates to historical results, internal communications to management and the Board of Directors, existing arrangements with customers, and relevant industry/market data.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rate by:
 - o Testing the source information underlying the determination of the discount rate and testing the mathematical accuracy of the calculation.
 - o Developing a range of independent estimates and comparing those to the discount rate selected by management.
 - o Independently testing the guideline public company market valuation prepared by management’s specialist to further evaluate the estimated fair value.
- We considered whether other information obtained during the course of our audit represented contradictory evidence in relation to the estimated future revenues and resulting cash flow projections utilized in the model.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
April 10, 2024

We have served as the Company's auditor since 2020.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Lakeland Industries, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Lakeland Industries, Inc. and subsidiaries (the “Company”) as of January 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended January 31, 2024, of the Company and our report dated April 10, 2024, expressed an unqualified opinion on those financial statements.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Pacific Helmets NZ Limited, which was acquired on November 30, 2023, and whose financial statements constitute 6% and 6% of net and total assets, respectively, less than 1% of revenues, and 4% of net income of the consolidated financial statement amounts as of and for the year ended January 31, 2024. Accordingly, our audit did not include the internal control over financial reporting at Pacific Helmets NZ Limited.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
April 10, 2024

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Lakeland Industries, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF OPERATIONS For the Years Ended January 31, 2024 and 2023 ('\$000's) except share information

	2024	2023
Net sales	\$ 124,688	\$ 112,846
Cost of goods sold	73,496	66,997
Gross profit	51,192	45,849
Operating expenses	45,200	40,308
Operating profit	5,993	5,541
Other income (expense), net	3,415	(33)
Interest expense	(52)	(37)
Income before taxes	9,356	5,471
Income tax expense	3,930	3,598
Net income	\$ 5,425	\$ 1,873
Net income per common share:		
Basic	\$ 0.74	\$ 0.25
Diluted	\$ 0.72	\$ 0.24
Weighted average common shares outstanding:		
Basic	7,352,356	7,562,187
Diluted	7,539,705	7,737,963

The accompanying notes are an integral part of these consolidated financial statements.

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Lakeland Industries, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) For the Years Ended January 31, 2024 and 2023 ('\$000's)

	2024	2023
Net income	\$ 5,425	\$ 1,873
Other comprehensive income:		
Foreign currency translation adjustments	(1,669)	(2,193)
Comprehensive income (loss)	\$ 3,756	\$ (320)

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Lakeland Industries, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
January 31, 2024 and 2023
(\$000's) except share information

ASSETS

	2024	2023
Current assets		
Cash and cash equivalents	\$ 25,222	\$ 24,639
Accounts receivable, net of allowance for doubtful accounts of \$857 and \$800 at January 31, 2024 and 2023, respectively	19,169	17,296
Inventories	51,250	58,176
Prepaid VAT and other taxes	2,753	1,963
Income tax receivable and other current assets	3,111	3,517
Total current assets	101,505	105,591
Property and equipment, net	10,685	9,140
Operating leases right-of-use assets	10,969	5,472
Deferred tax assets	3,097	2,764
Other assets	110	100
Goodwill	13,669	8,473
Intangible assets, net	6,830	6,042
Equity investments	4,719	5,354
Convertible debt investments	2,161	-
Total assets	\$ 153,745	\$ 142,936

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 7,378	\$ 6,558
Accrued compensation and benefits	3,922	2,522
Other accrued expenses	2,487	4,068
Income tax payable	1,454	609
Short-term borrowings	298	405
Accrued earnout agreement	643	3,182
Current portion of operating lease liability	2,164	1,253
Total current liabilities	18,346	18,597
Deferred income taxes	2,097	769
Loans payable – long term	731	-
Long-term portion of operating lease liability	9,121	3,580
Total liabilities	30,294	22,946
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par; authorized 1,500,000 shares (none issued)	—	—
Common stock, \$0.01 par; authorized 20,000,000 shares, Issued 8,722,965 and 8,655,699; outstanding 7,364,757 and 7,325,005 at January 31, 2024 and 2023, respectively	87	87
Treasury stock, at cost; 1,358,208 and 1,330,694 shares at January 31, 2024 and 2023, respectively	(19,979)	(19,646)
Additional paid-in capital	79,420	78,475
Retained earnings	69,282	64,765
Accumulated other comprehensive loss	(5,360)	(3,691)
Total stockholders' equity	123,450	119,990
Total liabilities and stockholders' equity	\$ 153,745	\$ 142,936

The accompanying notes are an integral part of these consolidated financial statements.

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Lakeland Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended January 31, 2024 and 2023

	Common Stock		Treasury Stock		Additional	Retained	Accumulated	Total
	Shares	Amount (\$000's)	Shares	Amount (\$000's)	Paid-in Capital (\$000's)	Earnings (\$000's)	Other Comprehensive Loss (\$000's)	
Balance, January 31, 2022	8,555,672	\$ 86	(939,705)	\$ (14,206)	\$ 77,826	\$ 62,892	\$ (1,498)	\$ 125,100
Net Income	—	—	—	—	—	1,873	—	1,873
Other comprehensive loss	—	—	—	—	—	—	(2,193)	(2,193)
Stock-based compensation:								
Restricted stock issued	100,027	1	—	—	—	—	—	1
Restricted stock plan	—	—	—	—	1,491	—	—	1,491
Return of shares in lieu of payroll tax	—	—	—	—	(842)	—	—	(842)

withholding								
Treasury stock purchased	—	—	(390,989)	(5,440)	—	—	—	(5,440)
Balance, January 31, 2023	<u>8,655,699</u>	<u>\$ 87</u>	<u>(1,330,694)</u>	<u>\$ (19,646)</u>	<u>\$ 78,475</u>	<u>\$ 64,765</u>	<u>\$ (3,691)</u>	<u>\$ 119,990</u>
Net Income	—	—	—	—	—	5,425	—	5,425
Dividends paid	—	—	—	—	—	(908)	—	(908)
Other comprehensive income	—	—	—	—	—	—	(1,669)	(1,669)
Stock-based compensation:								
Restricted stock issued	67,266	—	—	—	—	—	—	—
Restricted stock plan	—	—	—	—	1,365	—	—	1,365
Return of shares in lieu of payroll tax withholding	—	—	—	—	(420)	—	—	(420)
Treasury stock purchased	—	—	(27,514)	(333)	—	—	—	(333)
Balance, January 31, 2024	<u>8,722,965</u>	<u>\$ 87</u>	<u>(1,358,208)</u>	<u>\$ (19,979)</u>	<u>\$ 79,420</u>	<u>\$ 69,282</u>	<u>\$ (5,360)</u>	<u>\$ 123,450</u>

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Lakeland Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended January 31, 2024 and 2023
(\$000's)

	2024	2023
Cash flows from operating activities:		
Net income	\$ 5,425	\$ 1,873
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Provision for (recovery of) doubtful accounts	57	134
Deferred income taxes	(818)	75
Depreciation and amortization	2,111	1,505
Stock based and restricted stock compensation	1,365	1,491
(Gain) loss on disposal of property and equipment	(3,764)	(6)
Equity in (earnings) loss of equity investment	629	411
Revaluation of earnout consideration	(2,538)	-
(Increase) decrease in operating assets:		
Accounts receivable	(853)	(2,278)
Inventories	7,738	(9,710)
Prepaid VAT and other taxes	(789)	(260)
Other current assets	(15)	1,478
Increase (decrease) in operating liabilities:		
Accounts payable	417	36
Accrued expenses and other liabilities	982	69
Operating lease liabilities	955	(269)
Net cash provided by (used in) operating activities	<u>10,912</u>	<u>(5,451)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(2,069)	(1,985)
Proceeds from sale of fixed assets	4,559	-
Acquisition, net of cash acquired	(5,452)	(9,722)
Investments	(2,154)	(3,061)
Net cash used in investing activities	<u>(5,116)</u>	<u>(14,768)</u>
Cash flows from financing activities		
Short term borrowings	5,664	405
Short term borrowings – repayments	(7,455)	-
Dividends paid	(908)	-
Purchase of Treasury Stock under stock repurchase program	(333)	(5,439)
Shares returned to pay employee taxes under restricted stock program	(420)	(842)
Net cash used in financing activities	<u>(3,452)</u>	<u>(5,876)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,761)</u>	<u>(1,985)</u>
Net increase (decrease) in cash and cash equivalents	<u>583</u>	<u>(28,080)</u>
Cash and cash equivalents at beginning of year	<u>24,639</u>	<u>52,719</u>
Cash and cash equivalents at end of year	<u>\$ 25,222</u>	<u>\$ 24,639</u>
Cash paid for interest	\$ 63	\$ 37
Cash paid for taxes	\$ 2,169	\$ 3,151
Noncash investing and financing activities		
Leased assets obtained in exchange for operating lease liabilities	\$ 6,110	\$ 1,148

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Lakeland Industries, Inc. and Subsidiaries ("Lakeland," the "Company," "we," "our" or "us"), a Delaware corporation organized in April 1986, manufacture and sell a comprehensive line of industrial protective clothing and accessories for the industrial and public protective clothing market. Our products are sold globally by our in-house sales teams, our customer service group, and authorized independent sales representatives to a network of over 2,000 global safety and industrial supply distributors. Our authorized distributors supply end users, such as integrated oil, chemical/petrochemical, automobile, steel, glass, construction, smelting, cleanroom, janitorial, pharmaceutical, and high technology electronics manufacturers, as well as scientific, medical laboratories and the utilities industry. In addition, we supply federal, state and local governmental agencies and departments, such as fire and law enforcement, airport crash rescue units, the Department of Defense, the Department of Homeland Security and the Centers for Disease Control. Internationally, we sell to a mixture of end users directly and to industrial distributors depending on the particular country and market. Sales are made to more than 50 countries, the majority of which were into China, countries within the European Economic Community ("EEC"), Canada, Chile, Argentina, Russia, Kazakhstan, Colombia, Mexico, Ecuador, India, Middle East and countries within Southeast Asia. For purposes of this Form 10-K, FY refers to a fiscal year ended January 31; for example, FY24 refers to the fiscal year ended January 31, 2024.

Basis of Presentation

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). We have reclassified certain prior year amounts to conform to current year presentation. The following is a description of the Company's significant accounting policies.

Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. It is reasonably possible that events could occur during the upcoming year that could change such estimates.

Cash and Cash Equivalents

The Company considers highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of money market funds.

Accounts Receivable, Net. Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company estimates credit losses by considering historical credit losses, the current economic environment, customer credit ratings or bankruptcies.

Inventories

Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost (on a first-in, first-out or moving average basis) or net realizable value. Adjustments are recorded for slow-moving, obsolete or unusable inventory. We assess our inventory for estimated obsolescence or unmarketable inventory and write down the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future sales and supply on hand, if necessary. If actual market conditions are less favorable than those projected by management, additional inventory adjustments may be required.

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Property and Equipment

Property and equipment is stated at cost, net of accumulated 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 on a straight-line basis. Leasehold improvements and leasehold costs are amortized over the term of the lease or service lives of the improvements, whichever is shorter. The costs of additions and improvements that substantially extend the useful life of a particular asset are capitalized. Repair and maintenance costs are charged to expense. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the account, and the gain or loss on disposition is reflected in operating income.

Assets held for sale are measured at the lower of carrying value or fair value less cost to sell. Gains or losses are recognized for any subsequent changes to fair value less cost to sell. However, gains are limited to cumulative losses previously recognized. Assets classified as held for sale are not depreciated.

Equity Method Investments

Investments in which the Company can exercise significant influence, but do not control, are accounted for using the equity method and are presented on the consolidated balance sheets. The Company's share of the net earnings or losses of the investee is presented within the consolidated statements of operations as other income (expense). The Company evaluates its equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. If the decline in fair value is deemed to be other than temporary, the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company estimates fair value based on a discounted cash flow model and a market-based approach using inputs which include expected cash flows and a discount rate representative of the risks within the underlying business and forecasts to arrive at the estimated fair value of such investment.

Business combinations

In accordance with the accounting guidance for business combinations, the Company uses the acquisition method of accounting to allocate costs of acquired businesses to the assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition. The excess of the purchase price over the estimated fair value of assets and liabilities is recorded as goodwill. Assigning fair market values to the assets acquired and liabilities assumed at the date of acquisition requires knowledge of current market values and the values of assets in use and often requires the application of judgment regarding estimates and assumptions. While the ultimate responsibility resides with management for material acquisitions, we retain the services of certified valuation specialists to assist with assigning estimated values to certain acquired assets and assumed liabilities, including intangible assets, tangible long-lived assets, and contingent consideration. Acquired intangible assets, excluding goodwill, are valued using certain discounted cash flow methodologies based on future cash flows specific to the type of intangible asset purchased. Several significant assumptions and estimates were involved in the application of these valuation methods, including forecasted sales volumes and prices, royalty rates, costs to produce, tax rates, discount rates, attrition rates and working capital changes.

If the contingent consideration is deemed significant or absent an agreed-upon payout amount, the initial measurement of contingent consideration and the corresponding liability is evaluated using the Monte Carlo Method. For this valuation method, management develops projections during the contingent consideration period utilizing various potential pay-out scenarios. Probabilities are applied to each potential scenario, and the resulting values are discounted using a rate that considers the weighted average cost of capital as well as a specific risk premium associated with the riskiness of the contingent consideration itself, the related projections, and the overall business.

Goodwill and Other Intangible Assets

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful lives. Indefinite lived intangible assets are assessed for possible impairment annually on November 1st or whenever circumstances change such that the recorded value of the asset may not be recoverable.

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All goodwill is assigned to and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment. Goodwill is not amortized, but evaluated for impairment at least annually or whenever events or changes in circumstance indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The Company may perform either a qualitative assessment of potential impairment or proceed directly to a quantitative assessment of potential impairment. If the Company chooses not to perform a qualitative assessment, or if it chooses to perform a qualitative assessment but is unable to conclude that no impairment has occurred qualitatively, then the Company will perform a quantitative assessment. A quantitative test for goodwill impairment is performed by determining the fair value of the related reporting units. The Company estimates the fair value of the reporting unit with which the goodwill is associated and compares it to the carrying value. If the estimated fair value of a reporting unit is less than its carrying value, an impairment charge is recognized for the excess of the reporting unit's carrying value over its fair value. Fair value is measured using on the discounted cash flow method and relative market-based approaches.

There has been no impairment of our goodwill during the years ended January 31, 2024 and 2023.

Revenue Recognition

Substantially all of the Company's revenue is derived from product sales, which consist of sales of the Company's personal protective wear products to distributors. The Company considers purchase orders to be a contract with a customer. Contracts with customers are considered to be short-term when the time between order confirmation and satisfaction of the performance obligations is equal to or less than one year, and virtually all of the Company's contracts are short-term. The Company recognizes revenue for the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company typically satisfies its performance obligations in contracts with customers upon shipment of the goods. Generally, payment is due from customers within 30 to 90 days of the invoice date, and the contracts do not have significant financing components. The Company elected to account for shipping and handling activities as a fulfillment cost rather than a separate performance obligation. Shipping and handling costs associated with outbound freight are included in operating expenses, and for FY24 and FY23 aggregated approximately \$3.4 million and \$3.2 million, respectively. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue.

The transaction price includes estimates of variable consideration related to rebates, allowances, and discounts that are reductions in revenue. All estimates are based on the Company's historical experience, anticipated performance, and the Company's best judgment at the time the estimate is made. Estimates for variable consideration are reassessed each reporting period and are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur upon resolution of uncertainty associated with the variable consideration. All the Company's contracts have a single performance obligation satisfied at a point in time, and the transaction price is stated in the contract, usually as quantity times price per unit.

The Company receives advances under certain of its contracts for products sold by Eagle. Those advances are considered contract liabilities with revenues recorded upon delivery of promised goods to customers. These advances are included in Other Accrued Expenses on the Company's consolidated balance sheet. The following is a roll-forward of the advances from the date of the Eagle acquisition, December 2, 2022 through January 31, 2024 (in \$000s):

Contract liability – December 2, 2022	\$	1,560
Increases to contract liability		158
Decreases to contract liability		(91)
Contract liability – January 31, 2023	\$	1,627
Increases to contract liability		445
Decreases to contract liability		(1,968)
Contract liability – January 31, 2024	\$	104

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The Company has seven revenue generating reportable geographic segments under ASC Topic 280 "Segment Reporting" and derives its sales primarily from its limited use/disposable protective clothing and secondarily from its sales of reflective clothing, high-end chemical protective suits, firefighting and heat protective apparel, reusable woven garments and gloves and arm guards. The Company believes disaggregation of revenue by geographic region and product line best depicts the nature, amount, timing, and uncertainty of its revenue and cash flows (see table below). Net sales by geographic region and by product line are included below:

	Year Ended January 31, (in millions of dollars)	
	2024	2023
External Sales by Product Lines:		
Disposables	\$ 49.6	\$ 55.2
Chemical	20.3	22.2
Fire	26.5	14.7
Gloves	2.2	2.3
High Visibility	6.6	5.8
High Performance Wear	6.9	5.0
Wovens	12.6	7.6
Consolidated external sales	\$ 124.7	\$ 112.8

	Year Ended January 31, (in millions of dollars)	
	2024	2023
External Sales by Region:		
USA	\$ 55.3	\$ 49.0
Other foreign	9.9	7.2

Europe (UK)	16.3	8.3
Mexico	4.0	3.7
Asia	13.8	24.7
Canada	9.3	9.1
Latin America	16.1	10.8
Consolidated external sales	<u>\$ 124.7</u>	<u>\$ 112.8</u>

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Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses on the consolidated statement of operations. Advertising and co-op costs amounted to \$0.6 million and \$0.5 million in FY24 and FY23.

Stock-Based Compensation

The Company records the cost of stock-based compensation plans based on the fair value of the award on the grant date. For awards that contain a vesting provision, the cost is recognized over the requisite service period (generally the vesting period of the equity award), which approximates the performance period. For awards based on services already rendered, the cost is recognized immediately.

Income Taxes

The Company is required to estimate its income taxes in each of the jurisdictions in which it operates as part of preparing the consolidated financial statements. This involves estimating the actual current tax in addition to assessing temporary differences resulting from differing treatments for tax and financial accounting purposes. These differences, together with net operating loss carryforwards and tax credits, are recorded as deferred tax assets or liabilities on the Company's consolidated balance sheet. A judgment must then be made of the likelihood that any deferred tax assets will be recovered from future taxable income. A valuation allowance may be required to reduce deferred tax assets to the amount that is more likely than not to be realized. In the event the Company determines that it may not be able to realize all or part of its deferred tax asset in the future or that new estimates indicate that a previously recorded valuation allowance is no longer required, an adjustment to the deferred tax asset is charged or credited to income in the period of such determination.

The Company recognizes tax positions that meet a "more likely than not" minimum recognition threshold. If necessary, the Company recognizes interest and penalties associated with tax matters as part of the income tax provision and would include accrued interest and penalties with the related tax liability in the consolidated balance sheets.

Foreign Operations and Foreign Currency Translation

The Company maintains manufacturing operations in Mexico, India, Argentina, New Zealand, Vietnam and the People's Republic of China and can access independent contractors in China, Vietnam, Argentina and Mexico. It also maintains sales and distribution entities in India, Canada, the U.K., Chile, China, Argentina, Russia, Kazakhstan, Uruguay, Australia and Mexico. The Company is vulnerable to currency risks in these countries. The functional currency for the United Kingdom subsidiaries is the Pound; the trading company in China, the RMB; the Russian operation, the Russian Ruble; the New Zealand Dollar in New Zealand, and the Kazakhstan operation, the Kazakhstan Tenge. All other operations have the U.S. dollar as their functional currency.

Pursuant to US GAAP, assets and liabilities of the Company's foreign operations with functional currencies other than the U.S. dollar are translated at the exchange rate in effect at the balance sheet date, while revenues and expenses are translated at average rates prevailing during the periods. Translation adjustments are reported in accumulated other comprehensive loss, a separate component of stockholders' equity. Cash flows are also translated at average translation rates for the periods; therefore, amounts reported on the consolidated statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheet. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

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Fair Value of Financial Instruments

US GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures utilizing a fair value hierarchy which is categorized into three levels based on the inputs to the valuation techniques used to measure fair value.

The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect management's own assumptions.

There were no foreign currency forward or hedge contracts at January 31, 2024 or January 31, 2023.

The financial instruments of the Company classified as current assets or liabilities, including cash and cash equivalents, accounts receivable, short-term borrowings, borrowings under revolving credit facility, accounts payable and accrued expenses, are recorded at carrying value, which approximates fair value based on the short-term nature of these instruments.

Net Income Per Share

Net income per share is based on the weighted average number of common shares outstanding without consideration of common stock equivalents. Diluted net income per share is based on the weighted average number of common shares and common stock equivalents. The diluted net income per share calculation takes into account unvested restricted shares and the shares that may be issued upon the exercise of stock options, reduced by shares that may be repurchased with the funds received from the exercise, based on the average price during the fiscal year.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all accounting standards updates ("ASUs"). Management periodically reviews new accounting standards that are issued.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance requires a public entity to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the

reconciling items in some categories if the items meet a quantitative threshold. The guidance also requires all entities to disclose annually income taxes paid (net of refunds received) disaggregated by federal (national), state and foreign taxes and to disaggregate the information by jurisdiction based on a quantitative threshold. This guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted and this guidance should be applied prospectively but there is the option to apply it retrospectively. The Company plans to adopt the provisions of this guidance in conjunction with our Form 10-K for our fiscal year ending January 31, 2026.

Segment Reporting

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” This guidance requires a public entity to disclose for each reportable segment, on an interim and annual basis, the significant expense categories and amounts that are regularly provided to the chief operating decision-maker (“CODM”) and included in each reported measure of a segment’s profit or loss. Additionally, it requires a public entity to disclose the title and position of the individual or the name of the group or committee identified as the CODM. This guidance is effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the guidance should be applied retrospectively to all periods presented in the financial statements, unless it is impracticable. The Company plans to adopt the provisions of this guidance in conjunction with our Form 10-K for the fiscal year ending January 31, 2025.

2. INVENTORIES

Inventories consist of the following (in \$000s):

	January 31,	
	2024	2023
Raw materials	\$ 27,417	\$ 29,036
Work-in-process	668	952
Finished goods	29,719	32,855
Excess and obsolete adjustments	(6,554)	(4,668)
	<u>\$ 51,250</u>	<u>\$ 58,176</u>

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3. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following (in \$000s):

	Useful Life in Years	January 31,	
		2024	2023
Machinery and equipment	3-10	\$ 10,773	\$ 5,436
Furniture and fixtures	3-10	988	492
Leasehold improvements	Lease term	2,388	2,094
Computer hardware and software	3	5,430	5,015
Land and building	20-30	7,625	9,508
		<u>27,203</u>	<u>22,546</u>
Less accumulated depreciation and amortization		(17,600)	(14,406)
Construction-in-progress		<u>1,081</u>	<u>1,001</u>
		<u>\$ 10,685</u>	<u>\$ 9,140</u>

Depreciation and amortization expense for FY24 and FY23 amounted to \$1.9 million and \$1.4 million, respectively.

4. INVESTMENTS

On October 18, 2021, the Company entered into an Investment Agreement (the “Investment Agreement”) with Inova Design Solutions Ltd, a private limited company incorporated under the laws of England and Wales and headquartered in the United Kingdom, doing business as Bodytrak® (“Bodytrak”), and the other parties thereto, pursuant to which Bodytrak agreed to issue and sell to the Company 508,905 cumulative convertible series A shares of Bodytrak (“Series A Shares”) in exchange for a payment by the Company of £2,000,000 (\$2.8 million). The closing of this minority investment transaction occurred on October 18, 2021. The Series A Shares issued to the Company at the closing represented approximately 11.43% of Bodytrak’s total share capital.

On April 28, 2022, the Company, under the terms of the Investment Agreement, acquired an additional 381,679 Series A1 Shares of Bodytrak for £1,500,000 (\$1.9 million). On October 26, 2022, the Company acquired an additional 254,452 Series A Shares of Bodytrak for £1,000,000 (\$1.2 million). After completion of these additional investments, the Company owned 22.5% of Bodytrak’s total share capital. The investment in Bodytrak is accounted for under the equity method, given our board representation and the resulting ability to exercise significant influence. A substantial portion of our investment represents differences in our investment and our share of the underlying recognized net assets of Bodytrak. These differences are predominately attributable to non-amortizing intangible assets of Bodytrak, including internally developed intellectual property.

On May 19, 2023, the Company entered into an agreement with Bodytrak to provide an additional investment of up to an aggregate of £1,500,000 (\$1.9 million on the date of initial investment) in the form of a secured convertible loan with an option for an additional £1,000,000 investment at the Company’s discretion. An initial investment funding of £500,000 (\$0.6 million on the date of investment) was made on May 19, 2023. Additional investment fundings of £700,000 (\$0.9 million on the date of investment) and £500,000 (\$0.6 million on the date of investment) were made on September 8, 2023 and December 15, 2023, respectively. The loaned amounts are due twenty-four months from the issue date, which can be extended upon mutual agreement. The convertible note bears interest at either an annual rate of 12% for cash interest or 15% for payment in kind interest on the outstanding amount under the note, such rate being selected by Bodytrak.

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The notes can be converted into equity shares of Bodytrak under a number of conditions, including a qualified equity financing as defined in the agreement, a change of control, an IPO, default or conversion at the discretion of the Company and upon the occurrence of the specified event. The convertible note is secured by Bodytrak’s intellectual property.

Bodytrak provides wearable monitoring solutions for customers in industrial health, safety, defense and first responder markets wanting to achieve better employee health and performance. Bodytrak's solution is provided as a platform as a service (PaaS), delivering real-time data, cloud-based analytics, and hardware that includes a patented earpiece for physiological monitoring and audio communications.

For FY24 and FY23, the Company recognized losses of \$0.6 and \$0.4 million, respectively. The loss is reflected in other income (expense), net in the consolidated statements of operations.

5. GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill during the fiscal years ended January 31, 2024 and 2023, were as follows (in \$000s):

	2024	2023
Balance at February 1	\$ 8,473	\$ 871
Measurement period adjustment	1,447	----
Acquisitions	3,749	7,602
Balance at January 31	\$ 13,669	\$ 8,473

During FY24, a measurement period adjustment was recorded to recognize deferred tax liabilities of \$1.4 million associated with the finite-lived intangibles acquired in the Eagle acquisition, with a corresponding increase to goodwill.

Changes in intangible assets during the fiscal years ended January 31, 2024 and 2023, were as follows (in \$000s):

	2024	2023
Balance at February 1	\$ 6,042	\$ ----
Acquisitions	1,211	6,109
Amortization	(423)	(67)
Balance at January 31	\$ 6,830	\$ 6,042

		January 31, 2024			January 31, 2023		
	Weighted Average Life in Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible Assets (in \$000s)							
Customer relationships	15	\$ 3,558	\$ (267)	\$ 3,291	\$ 3,283	\$ (37)	\$ 3,246
Trade names and trademarks	15	1,773	(109)	1,664	1,333	(15)	1,318
Technological know-how	15	1,989	(114)	1,875	1,493	(15)	1,478
Total		\$ 7,320	\$ (490)	\$ 6,830	\$ 6,109	\$ (67)	\$ 6,042

Intangible asset amortization expense over the next five years is expected to be approximately \$0.5 million per year.

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6. ACQUISITIONS

Acquisition of Pacific

On November 30, 2023 the Company acquired New Zealand-based Pacific Helmets NZ Limited ("Pacific") in an all-cash transaction valued at approximately NZ\$14,000,000 (\$8.5 million at the closing date exchange rate) including assumption of debt, subject to post-closing adjustments and customary holdback provisions. The acquisition enhances Lakeland's product portfolio, particularly within fire service protective helmets. Headquartered in Whanganui, New Zealand, Pacific is a leading designer and provider of structural firefighting, wildland firefighting, and technical rescue helmets. The transaction was funded through the revolving credit facility and cash balances.

Pacific's operating results are included in our consolidated financial statements from the acquisition date. The acquisition qualified as a business combination and was accounted for using the acquisition method of accounting.

As part of the acquisition agreement, Pacific will pay from the holdback an amount equal to the amount by which Pacific's revenue falls below NZ\$11.1 million for Pacific's fiscal year ending March 31, 2024 subject to certain conditions. The estimated amount of the reduction to the holdback to be paid by the Company is less than \$0.1 million. The estimate was developed using a Monte Carlo simulation. If Pacific exceeds the revenue target of NZ\$11.1 million, Pacific will not receive any additional consideration.

The following table summarizes the preliminary fair values of the Pacific assets acquired and liabilities assumed at the date of the acquisition:

Net working capital acquired (including cash of \$0.1 million)	\$ 1,694
Property, plant and equipment	2,265
Customer relationships	275
Trade names and trademarks	440
Technological know-how	495
Goodwill	3,749
Total assets acquired	8,918
Less liabilities assumed	(2,787)
Net assets acquired	\$ 6,131

Assets acquired and liabilities assumed in connection with the acquisition were recorded at estimated fair values. Estimated fair values were determined by management, based in part on an independent valuation performed by a third-party valuation specialist. The valuation methods used to determine the estimated fair value of intangible assets included the excess earnings approach for customer relationships using customer inputs and contributory charges; the relief from royalty method for trade names and trademarks and technological know-how; and the cost method for the assembled workforce was included in goodwill. Several significant assumptions and estimates were involved in the application of these valuation methods, including forecasted sales volumes and prices, royalty rates, costs to produce, tax rates, capital spending, discount rates, attrition rates and working capital changes. Cash flow forecasts were generally based on Pacific's pre-acquisition forecasts. Identifiable intangible assets with finite lives are subject to amortization over their estimated useful lives. The customer relationships, trade names and trademarks and technological know-how acquired in the Pacific transaction are being amortized over periods of 14 years, 15 years and 10 years, respectively.

Goodwill is calculated as the excess of the purchase price over the estimated fair value of net assets acquired and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Among the factors that contributed to a purchase price in excess of the estimated fair value of the net tangible and intangible assets acquired were the acquisition of an assembled workforce, the expected synergies and other benefits that we believe will result from combining the operations of Pacific with our operations.

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Due to the timing of the completion of the acquisition, the purchase price and related allocation are preliminary and could be revised as a result of adjustments made to the purchase price, additional information obtained regarding assets acquired and liabilities assumed, and revisions of provisional estimates of fair values, including, but not limited to, the completion of independent appraisals and valuations related to contingent consideration, inventory, contractual relationships, tangible assets and intangible assets. These changes to the purchase price allocation could be significant. The purchase price allocation will be finalized within the measurement period of up to one year from the acquisition date.

Acquisition of Eagle

On December 2, 2022, we acquired 100% of Eagle's common stock in an all-cash transaction valued at \$10.5 million, net of net working capital acquired.

Headquartered in Manchester, UK, Eagle is a leading designer and provider of protective apparel to the fire and industrial sectors. Eagle provides differentiated product offerings through its innovative and technical solutions.

Eagle's operating results are included in our consolidated financial statements from the acquisition date. The acquisition qualified as a business combination and was accounted for using the acquisition method of accounting.

As part of the Eagle acquisition agreement, the Company agreed to pay an earnout payment equal to the amount by which Eagle's revenue exceeds 6 million GBP for the period May 1, 2022 through April 30, 2023. The Company also agreed to pay an earnout payment equal to the amount by which Eagle's revenue exceeds 6.3 million GBP for the period May 1, 2023 through April 30, 2024. The estimated amount of the earnout payment developed using a Monte Carlo simulation included in the preliminary valuation was \$3.2 million.

Eagle did not reach the revenue threshold for the period May 1, 2022 through April 30, 2023 and received no payment for that period. Based on the revised forecast for the period May 1, 2023 through April 30, 2024, the estimated amount of the earnout payment developed using a Monte Carlo simulation is \$0.6 million. The adjustment to the accrued earnout payment of \$2.5 million was recorded in FY24, and reflected as a reduction in operating expenses.

The following table summarizes the preliminary fair values of the Eagle assets acquired and liabilities assumed at the date of the acquisition:

Current assets acquired (including cash of \$2.2 million)	\$	3,729
Property, plant and equipment		41
Customer relationships		3,283
Trade names and trademarks		1,333
Technological know-how		1,493
Goodwill		7,602
Total assets acquired		17,481
Less liabilities assumed		(2,334)
Net assets acquired	\$	15,147

Assets acquired and liabilities assumed in connection with the acquisition were recorded at estimated fair values. Estimated fair values were determined by management, based in part on an independent valuation performed by a third-party valuation specialist. The valuation methods used to determine the estimated fair value of intangible assets included the excess earnings approach for customer relationships using customer inputs and contributory charges; the relief from royalty method for trade names and trademarks and technological know-how; and the cost method for the assembled workforce was included in goodwill. Several significant assumptions and estimates were involved in the application of these valuation methods, including forecasted sales volumes and prices, royalty rates, costs to produce, tax rates, capital spending, discount rates, attrition rates and working capital changes. Cash flow forecasts were generally based on Eagle's pre-acquisition forecasts. Identifiable intangible assets with finite lives are subject to amortization over their estimated useful lives. The customer relationships, trade names and trademarks and technological know-how acquired in the Eagle transaction are being amortized over periods of 15 years, 15 years and 17 years, respectively. Liabilities assumed primarily relate to customer deposits included within Other Accrued Expenses.

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Goodwill is calculated as the excess of the purchase price over the estimated fair value of net assets acquired and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Among the factors that contributed to a purchase price in excess of the estimated fair value of the net tangible and intangible assets acquired were the acquisition of an assembled workforce, the expected synergies and other benefits that we believe will result from combining the operations of Eagle with our operations.

During FY24, a measurement period adjustment was recorded to recognize deferred tax liabilities of \$1.4 million associated with the finite-lived intangibles acquired, with a corresponding increase to goodwill.

The following unaudited pro forma information presents our combined results as if the Pacific and Eagle acquisitions had occurred at the beginning of FY23. The unaudited pro forma financial information was prepared to give effect to events that are (1) directly attributable to the acquisition; (2) factually supportable; and (3) expected to have a continuing impact on the combined company's results. There were no material transactions between the Company and the acquired entities during the periods presented that are required to be eliminated. The unaudited pro forma combined financial information does not reflect cost savings, operating synergies or revenue enhancements that the combined companies may achieve or the costs to integrate the operations or the costs necessary to achieve cost savings, operating synergies or revenue enhancements.

Pro forma combined financial information (Unaudited)

(in millions, except per share amount)

	Year Ended January 31,	
	2024	2023
Net sales	\$ 129.8	\$ 122.3
Net income	\$ 5.8	\$ 1.6

Basic earnings per share	\$	0.79	\$	0.22
Diluted earnings per share	\$	0.77	\$	0.21

The unaudited pro forma combined financial information is presented for information purposes only and is not intended to represent or be indicative of the combined results of operations or financial position that we would have reported had the acquisition been completed as of the date and for the periods presented, and should not be taken as representative of our consolidated results of operations or financial condition following the acquisition. In addition, the unaudited pro forma combined financial information is not intended to project the future results of the combined company.

The unaudited pro forma combined financial information was prepared using the acquisition method of accounting under existing U.S. GAAP. The Company has been treated as the acquirer.

Total acquisition-related costs were \$0.5 million and \$0.6 million for the years ended January 31, 2024 and 2023, respectively. Transactional costs and acquisition-related amortization is included in operating expenses in the Consolidated Statements of Operations.

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7. LONG-TERM DEBT

Revolving Credit Facility

On June 25, 2020, the Company entered into a Loan Agreement (the “Loan Agreement”) with Bank of America (“Lender”). The Loan Agreement provides the Company with a secured (i) \$12.5 million revolving credit facility, which includes a \$5.0 million letter of credit sub-facility. The Company may request from time to time an increase in the revolving credit loan commitment of up to \$5.0 million (for a total commitment of up to \$17.5 million). Borrowing pursuant to the revolving credit facility is subject to a borrowing base amount calculated as (a) 80% of eligible accounts receivable, as defined, plus (b) 50% of the value of acceptable inventory, as defined, minus (c) certain reserves as the Lender may establish for the amount of estimated exposure, as reasonably determined by the Lender from time to time, under certain interest rate swap contracts. The borrowing base limitation only applies during periods when the Company’s quarterly funded debt to EBITDA ratio, as defined, exceeds 2.00 to 1.00. The credit facility was to mature on June 25, 2025.

Borrowings under the revolving credit facility bear interest at a rate per annum equal to the sum of the LIBOR Daily Floating Rate (“LIBOR”), plus 125 basis points. LIBOR is subject to a floor of 100 basis points. All outstanding principal and unpaid accrued interest under the revolving credit facility is due and payable on the maturity date. On a one-time basis, and subject to there not existing an event of default, the Company may elect to convert up to \$5 million of the then outstanding principal of the revolving credit facility to a term loan facility with an assumed amortization of 15 years and the same interest rate and maturity date as the revolving credit facility. The Loan Agreement provides for an annual unused line of credit commitment fee, payable quarterly, of 0.25%, based on the difference between the total credit line commitment and the average daily amount of credit outstanding under the facility during the preceding quarter.

On June 18, 2021, the Company entered into Amendment No. 1 to the Loan Agreement (the “Amendment”) with the Lender, which modified certain terms of the Company’s existing Loan Agreement with the Lender. The Amendment increased the credit limit under the Loan Agreement’s senior secured revolving credit facility from \$12.5 million to \$25.0 million. The Amendment also amended the covenant in the Loan Agreement that restricts acquisitions by the Company or its subsidiaries in order to allow, without the prior consent of the Lender, acquisitions of a business or its assets if there is no default under the Loan Agreement and the aggregate consideration does not exceed \$7.5 million for any individual acquisition or \$15.0 million on a cumulative basis for all such acquisitions.

The Loan Agreement requires the Company to maintain a Funded Debt to EBITDA (as each such term is defined in the Loan Agreement) ratio of 3.0 to 1.0 or less and a Basic Fixed Charge Coverage Ratio (as defined in the Loan Agreement) of at least 1.15 to 1.0. The Loan Agreement also contains customary covenants, including covenants that, among other things, limit or restrict the Company’s and/or the Company’s subsidiaries’ ability, subject to certain exceptions and qualifications, to incur liens or indebtedness, pay dividends or merge, consolidate or sell or otherwise transfer assets. The Company was in compliance with all of its debt covenants as of January 31, 2024.

The Company made certain representations and warranties to the Lender in the Loan Agreement that are customary for credit arrangements of this type. The Company also agreed to maintain, as of the end of each fiscal quarter, a minimum “basic fixed charge coverage ratio” (as defined in the Loan Agreement) of at least 1.15 to 1.00 and a “funded debt to EBITDA ratio” (as defined in the Loan Agreement) not to exceed 3.00 to 1.00, in each case for the trailing 12-month period ending with the applicable quarterly reporting period. The Company also agreed to certain negative covenants that are customary for credit arrangements of this type, including restrictions on the Company’s ability to enter into mergers, acquisitions or other business combination transactions, conduct its business, grant liens, make certain investments, make substantial change in the present executive or management personnel and incur additional indebtedness, which negative covenants are subject to certain exceptions.

The Loan Agreement contains customary events of default that include, among other things (subject to any applicable cure periods and materiality qualifier), non-payment of principal, interest or fees, defaults under related agreements with the Lender, cross-defaults under agreements for other indebtedness, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgments and material adverse change. Upon the occurrence of an event of default, the Lender may terminate all loan commitments, declare all outstanding indebtedness owing under the Loan Agreement and related documents to be immediately due and payable, and may exercise its other rights and remedies provided for under the Loan Agreement.

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In connection with the Loan Agreement, the Company entered into with the Lender (i) a security agreement dated June 25, 2020, pursuant to which the Company granted to the Lender a first priority perfected security interest in substantially all of the personal property and the intangibles of the Company, and (ii) a pledge agreement, dated June 25, 2020, pursuant to which the Company granted to the Lender a first priority perfected security interest in the stock of its subsidiaries (limited to 65% of those subsidiaries that are considered “controlled foreign subsidiaries” as set forth in the Internal Revenue Code and regulations). The Company’s obligations to the Lender under the Loan Agreement are also secured by a negative pledge evidenced by a Non-encumbrance Agreement covering the real property owned by the Company in Decatur, Alabama

On November 30, 2023, the Company entered into Amendment No. 3 to the Loan Agreement by and between Bank of America, N.A. (the “Lender”) and the Company (the “Third Amendment”). Pursuant to the Third Amendment, the Lender consented to the Company’s acquisition of one hundred percent (100%) of the equity interests of Pacific. The Third Amendment further provided for certain amendments to the Loan Agreement to permit additional indebtedness to be made available to Pacific, to exempt Pacific from certain requirements of the Loan Agreement pertaining to subsidiary guaranty and asset pledges that would otherwise be required under the Loan Agreement and to waive the Company’s borrowing base limitations through January 31, 2024. The Third Amendment also provided for the reaffirmation of representations, warranties and covenants under the Loan Agreement as are customary in connection with similar amendments of credit documents.

As of January 31, 2024, the Company had no borrowings outstanding on the letter of credit sub-facility and no borrowings outstanding under the revolving credit facility.

On March 28, 2024, the Company entered into Amendment No. 4 to the Loan Agreement by and between Bank of America, N.A. (the “Lender”) and the Company (the “Fourth Amendment”). Pursuant to the Fourth Amendment, the Lender and the Company agreed to, among other things, (i) extend the expiration date of the credit facility to March 28, 2029, (ii) increase the availability under the revolving credit facility to \$40.0 million with an accordion feature providing for the potential funding of an additional \$10.0 million, (iii) remove the borrowing base component of the credit facility; and (iv) modify the interest rate based on Daily SOFR plus the Applicable Rate. The Applicable Rate is based upon a Funded Debt to EBITDA Ratio and includes four (4) different levels constituting a SOFR margin range from 1.25% to 2.00%. In addition, the Fourth Amendment (i) modified the Funded Debt to EBITDA Ratio covenant so as not to exceed 3.5x (with step-downs to 3.25 and 3.0 in 2025 and 2026), (ii) modified the Basic Fixed Charge Coverage Ratio covenant to a minimum of 1.20x, (iii) includes a springing Asset Coverage Ratio covenant of at least 1.10x, but only to the extent that the maximum Total Leverage Ratio exceeds 3.00x at any reporting period, (iv) increases the sublimit for letters of credit to \$10.0 million, and (v) imposes a floor to Daily SOFR of one percent (1.00%). The Fourth Amendment provides for additional indebtedness or the assumption of existing indebtedness for acquisitions of foreign subsidiaries (not to exceed \$10.0 million in USD) and increased the size of Permitted Acquisitions, without prior approval from the Lender, to \$17.5 million per occurrence and \$35.0 million in the aggregate.

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Borrowings in UK

On December 31, 2014, the Company and Lakeland Industries Europe, Ltd. (“Lakeland UK”), a wholly owned subsidiary of the Company, amended the terms of its existing line of credit facility with HSBC Bank to provide for (i) a one-year extension of the maturity date of the existing financing facility to December 19, 2016, (ii) an increase in the facility limit from £1,250,000 (approximately USD \$1.9 million, based on exchange rates at time of closing) to £1,500,000 (approximately USD \$2.3 million, based on exchange rates at time of closing), and (iii) a decrease in the annual interest rate margin from 3.46% to 3.0%. In addition, pursuant to a letter agreement dated December 5, 2014, the Company agreed that £400,000 (approximately USD \$0.6 million, based on exchange rates at the time of closing) of the note payable by the UK subsidiary to the Company shall be subordinated in priority of payment to the subsidiary’s obligations to HSBC under the financing facility. This agreement has been subsequently amended with the most recent amendment on March 8, 2022. The cumulative result of the amendments through March 8, 2022 reflect a reduction of the service charge to 0.765%. The agreement can be terminated with three months’ notice. There were no borrowings outstanding under this facility at January 31, 2024.

Pacific Borrowings

Pacific has two facilities with the Bank of New Zealand. Pacific has a trade finance facility where the lender finances vendor purchases. The trade finance facility has a limit of 500,000 New Zealand dollars and carries an interest rate at the prevailing base rate for the relevant currency of the vendor plus a margin of 3.00% per annum. The facility includes two term loans. The first term loan of 1,500,000 New Zealand dollars matures on December 17, 2025, carries an interest rate of 2.3% per annum and requires monthly payments of \$19,350.27 New Zealand dollars. The second term loan of 550,000 New Zealand dollars matures on November 18, 2024, carries an interest rate of 3.5% per annum and requires monthly payments of 10,005 New Zealand dollars. The facilities expire in August 2026 and are secured by a security interest in Pacific’s real property. Borrowings under the trade finance facility and amounts due in FY25 under the term loans are reported as short-term borrowings and were \$0.3 million at January 31, 2024. Borrowings under the term loans due after FY25 are reported as long-term borrowings and were \$0.7 million at January 31, 2024.

8. CONCENTRATION OF RISK

Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and cash equivalents, and trade receivables. Concentration of credit risk with respect to trade receivables is generally diversified due to the large number of entities comprising the Company’s customer base and their dispersion across geographic areas principally within the United States. The Company routinely addresses the financial strength of its customers and, as a consequence, believes that its receivable credit risk exposure is limited. The Company does not require customers to post collateral.

The Company’s foreign financial depositories are Bank of America; China Construction Bank; Bank of China; China Industrial and Commercial Bank; HSBC (UK); Royal Bank of Scotland, Rural Credit Cooperative of Shandong; Postal Savings Bank of China; Punjab National Bank; HSBC in India, Argentina and UK; Raymond James in Argentina; TD Canada Trust; Banco Itaú S.A., Banco Credito Inversione in Chile; Banco Mercantil Del Norte SA in Mexico; ZAO KB Citibank Moscow in Russia, JSC Bank Centercredit in Kazakhstan and Bank of New Zealand in New Zealand. The Company monitors its financial depositories by their credit rating, which varies by country. In addition, cash balances in banks in the United States of America are insured by the Federal Deposit Insurance Corporation subject to certain limitations. There was approximately \$3.3 million total included in U.S. bank accounts and approximately \$22.0 million total in foreign bank accounts as of January 31, 2024, of which \$24.4 million was uninsured.

Major Customer

No customer accounted for more than 10% of net sales during FY24 and FY23.

Major Supplier

No vendor accounted for more than 10% of purchases during FY24 and FY23.

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9. STOCKHOLDERS’ EQUITY

On June 21, 2017, the stockholders of the Company approved the Lakeland Industries, Inc. 2017 Equity Incentive Plan (the “2017 Plan”). The executive officers and all other employees and directors of the Company, including its subsidiaries, are eligible to participate in the 2017 Plan. The 2017 Plan is administered by the Compensation Committee of the Board of Directors (the “Committee”), except that with respect to all non-employee directors, the Committee shall be deemed to include the full Board. The 2017 Plan provides for the grant of equity-based compensation in the form of stock options, restricted stock, restricted stock units, performance shares, performance units, or stock appreciation rights (“SARs”).

On June 16, 2021, the stockholders of the Company approved Amendment No. 1 (the “Amendment”) to the 2017 Plan. The Amendment increases the number of shares of common stock, par value \$0.01 per share (the “Common Stock”), of the Company reserved for issuance under the Plan by 480,000 shares.

An aggregate of 840,000 shares of the Company’s common stock are authorized for issuance under the 2017 Plan, subject to adjustment as provided in the 2017 Plan for stock splits, dividends, distributions, recapitalizations and other similar transactions or events. If any shares subject to an award are forfeited, expire, lapse or otherwise terminate without issuance of such shares, such shares shall, to the extent of such forfeiture, expiration, lapse or termination, again be available for issuance under the 2017 Plan.

The Company recognized total stock-based compensation costs, which are reflected in operating expenses (in 000’s):

	Year Ended January 31,	
	2024	2023
2017 Plan:		
Total restricted stock and stock option programs	\$ 1,365	\$ 1,491
Total income tax expense recognized for stock-based compensation arrangements	\$ 287	\$ 313

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Restricted Stock

Under the 2017 Plan, as described above, the Company awarded performance-based and service-based shares of restricted stock and restricted stock units to eligible employees and directors. The following table summarizes the activity under the 2017 Plan for the years ended January 31, 2024 and 2023. This table reflects the amount of awards granted at the number of shares that would be vested if the Company were to achieve the maximum performance level under the June 2021, June 2022 and March 2023 grants.

	Performance- Based	Service-Based	Total	Weighted Average Grant Date Fair Value
Outstanding at January 31, 2022	232,838	14,970	247,808	\$ 20.89
Awarded	36,475	56,065	92,540	\$ 18.19
Vested	(141,833)	(30,370)	(172,203)	\$ 10.33
Forfeited	---	---	---	
Outstanding at January 31, 2023	127,480	40,665	168,145	\$ 22.95
Awarded	64,953	130,390	195,343	\$ 14.19
Vested	(71,202)	(26,336)	(97,538)	\$ 14.90
Forfeited	(38,901)	(31,829)	(70,730)	
Outstanding at January 31, 2024	82,330	112,890	195,220	\$ 16.61

The actual number of shares of common stock of the Company, if any, to be earned by the award recipients is determined over a three year performance measurement period based on measures that include Earnings Before Interest Taxes Depreciation and Amortization (“EBITDA”) margin, revenue growth, and free cash flow for the June 2021 grants. Performance measures for the April 2022 grants are revenue growth and EBITDA margin. Performance measures for the March 2023 grants are revenue growth, EBITDA margin and return on invested capital. The performance targets have been set for each of the Minimum, Target, and Maximum levels. The actual performance amount achieved is determined by the Committee and may be adjusted for items determined to be unusual in nature or infrequent in occurrence, at the discretion of the Committee.

The compensation cost is based on the fair value at the grant date, is recognized over the requisite performance/service period using the straight-line method, and is periodically adjusted for the probable number of shares to be awarded. As of January 31, 2024, unrecognized stock-based compensation expense totaled \$1.0 million pursuant to the 2017 Plan based on outstanding awards under the Plan. This expense is expected to be recognized over approximately two years.

Stock Repurchase Program

On February 17, 2021, the Company’s Board of Directors approved a stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock. On July 6, 2021, the Board of Directors authorized an increase in the Company’s stock repurchase program of up to an additional \$5 million of its outstanding common stock. On April 7, 2022, the Board of Directors authorized a new stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock, which became effective upon the completion of the prior share repurchase program. On December 1, 2022, the Board of Directors authorized an increase in the Company’s stock repurchase program, under which the Company may repurchase up to an additional \$5 million of its outstanding common stock.

Shares repurchased in FY24 totaled 27,514 shares at a cost of \$0.3 million, leaving \$5.0 million remaining under the share repurchase program at January 31, 2024. The share repurchase program has no expiration date but may be terminated by the Board of Directors at any time.

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10. INCOME TAXES

The provision for income taxes is based on the following pretax income (loss):

	Years Ended January 31,	
	2024	2023
Domestic and Foreign Pretax Income (Loss)		
Domestic	\$ 8,648	\$ 15,322
Foreign	708	(9,851)
Total	\$ 9,356	\$ 5,471

The domestic and foreign pretax income in the schedule above reflects intercompany dividends paid to the U.S. from international subsidiaries of \$11.4 million and \$19.0 million for fiscal years ended January 31, 2024 and 2023, respectively.

	Years Ended January 31,	
	2024	2023
Income Tax Expense (Benefit)		
Current:		
Federal	\$ 17	\$ 2
State and other taxes	58	68
Foreign	4,674	3,450
Total Current Tax Expense	\$ 4,749	\$ 3,520
Deferred:		

Domestic	(\$186)	(\$756)
Foreign	(633)	834
Total Deferred Tax Expense	(819)	\$ 78
Total Income Taxes	\$ 3,930	\$ 3,598

	Years Ended January 31,	
	2024	2023
Statutory rate	21.00%	21.00%
State Income Taxes, Net of Federal Tax Benefit	0.49%	0.05%
Adjustment to Deferred	(23.26)%	13.54%
GILTI	9.07%	24.84%
Foreign Tax Credit – GILTI	(2.42)%	(14.86)%
Section 250 Deduction	(4.92)%	(15.74)%
Permanent Differences	0.20%	0.07%
Valuation Allowance-Deferred Tax Asset	33.29%	6.41%
Foreign Tax Credit	(15.24)%	(9.74)%
Section 78 Gross-up	0.77%	6.64%
Argentina Flow Through Loss	7.20%	1.09%
Withholding Taxes	5.72%	36.55%
Foreign Rate Differential	18.25%	2.11%
Change in State Apportionment Rate	(1.48)%	(1.38)%
Foreign employee benefits	(1.58)%	(3.58)%
Foreign Dividends Paid to U.S.	25.69%	73.01%
Foreign Dividends Received Deduction	(25.69)%	(73.01)%
Earnout Adjustment	(5.70)%	---
Other	0.62%	(1.25)%
Effective Rate	42.01%	65.74%

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	Years Ended January 31,	
	2024	2023
Deferred tax assets:		
Inventories	\$ 1,545	\$ 1,147
US tax loss carryforwards, including work opportunity credit	167	186
Accounts receivable and accrued rebates	295	278
Accrued compensation and other	441	123
India reserves - US deduction	24	22
Equity based compensation	346	1,178
Foreign tax credit carry-forward	4,548	3,123
State and local carry-forwards	1,256	18
Depreciation and amortization	(1,846)	(155)
Prepaid expenses	(253)	(175)
Right-of-use asset	(1,590)	(697)
Operating lease liability	1,672	732
Foreign carry-forwards	1,102	438
Withholding taxes	(383)	(769)
Other	351	107
Deferred tax asset	7,675	5,556
Less valuation allowance	(6,675)	(3,561)
Net deferred tax asset	\$ 1,000	\$ 1,995
	January 31,	
	2024	2023
Balance sheet classification		
Long-term deferred tax asset	\$ 3,097	\$ 2,764
Long-term deferred tax liability	\$ 2,097	\$ 769

	Gross Carryforward	Benefit Amount	Valuation Allowance	Expiration Beginning In
State operating loss carryforwards	\$ 20,132	\$ 1,256	\$ (1,025)	2028
Foreign tax credit carryforwards		4,548	(4,548)	2025
Federal credit carryforwards		167	-	2035
Mexico operating loss carryforwards	\$ 1,199	360	(360)	2033
Chile operating loss carryforwards	\$ 2,414	652	(652)	Indefinite
UK operating loss carryforwards	\$ 361	90	(90)	Indefinite
Total		\$ 7,073	\$ (6,675)	

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A significant portion of our net operating loss carryforwards were generated in the state of Alabama prior to the change in apportionment factor rules for that state in 2021 which moved the state to a single sales factor apportionment method. The impact of the state law change significantly reduced our apportionment factor in that state, making it unlikely that we will generate sufficient income allocated to that state in order to utilize the full amount of our net loss carryforwards prior to their expiration.

Indefinite Reinvestment Assertion

The Company generally considers all earnings generated outside of the U.S. to be permanently reinvested offshore, with the exception to countries where cash can be repatriated without withholding taxes, and in China in which the Company previously determined excess cash over what was required to fund operations and growth existed.

During FY24, the Company repatriated \$4.5 million and \$7.0 million from Canada and China, respectively. The Company also identified an additional \$3.8 million in excess cash in its Chinese operations for which it plans to repatriate in the future. A withholding tax liability has been established for the expected withholding taxes in the amount of \$0.4 million as of the period ended January 31, 2024. The distribution from Canada received during FY24 was a result of the sale of real estate during the year. The sale resulted in after tax excess cash that the Company determined was not needed to fund local operations and repatriated back to the US in a one-time action. The Company still currently maintains a permanently reinvestment assertion on its future Canada operations.

Income Tax Audits

The Company is subject to US federal income tax, as well as income tax in multiple US state and local jurisdictions and a number of foreign jurisdictions. Returns for the years since FY20 are still open based on statutes of limitation only.

Chinese tax authorities have performed limited reviews on all Chinese subsidiaries as of tax years 2008 through 2021 with no significant issues noted and we believe our tax positions are reasonably stated as of January 31, 2024. The 2023 tax review will be performed before May 31, 2024 in China.

Change in Valuation Allowance

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. The valuation allowance for the years ended January 31, 2024 and January 31, 2023 was \$6.7 million and \$3.6 million, respectively.

OECD and Pillar Two

In 2021 the Organization for Economic Cooperation and Development (OECD) announced an Inclusive Framework on Base Erosion and Profit Shifting including Pillar Two Model Rules defining the global minimum tax, which calls for the taxation of large multinational corporations at a minimum rate of 15%. Subsequently multiple sets of administrative guidance have been issued. Many non-U.S. tax jurisdictions have either recently enacted legislation to adopt certain components of the Pillar Two Model Rules beginning in 2024 with the adoption of additional components in later years or announced their plans to enact legislation in future years. Although we expect increased tax compliance efforts as a result of new legislation, we do not expect Pillar Two to have a significant impact on our effective tax rate or our consolidated results of operations, financial position and cash flows.

11. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share as follows:

	Years Ended January 31, (000's except share information)	
	2024	2023
Numerator – Net Income	\$ 5,425	\$ 1,873
Denominator for basic net income per share (weighted-average shares which reflect 1,358,208 and 1,330,694 treasury shares at January 31, 2024 and 2023, respectively)	7,352,356	7,562,187
Effect of dilutive securities from restricted stock plan and from dilutive effect of stock options	187,349	175,776
Denominator for diluted net income per share (adjusted weighted average shares)	7,539,705	7,737,963
Basic net income per share	\$ 0.74	\$ 0.25
Diluted net income per share	\$ 0.72	\$ 0.24

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12. DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY EXPOSURE

The Company is exposed to foreign currency risk. Management has commenced a derivative instrument program to partially offset this risk by purchasing forward contracts to sell the Canadian Dollar and the Euro other than the cash flow hedge discussed below. Such contracts are largely timed to expire on the last day of the fiscal quarter, with a new contract purchased on the first day of the next quarter to match the Company's operating cycle. We designated the forward contracts as derivatives but not as hedging instruments, with loss and gain recognized in current earnings.

The Company accounts for its foreign exchange derivative instruments by recognizing all derivatives as either assets or liabilities at fair value, which may result in additional volatility in current period earnings or other comprehensive income, depending on whether the instrument was designated as a cash flow hedge, as a result of recording recognized and unrecognized gains and losses from changes in the fair value of derivative instruments.

We have one type of derivatives to manage the risk of foreign currency fluctuations. We enter into forward contracts with financial institutions to manage our currency exposure related to net assets and liabilities denominated in foreign currencies. Those forward contract derivatives, not designated as hedging instruments, were generally settled quarterly. Gain and loss on those forward contracts are included in current earnings. There were no outstanding forward contracts at January 31, 2024 or 2023.

13. COMMITMENTS AND CONTINGENCIES

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel assess such contingent liabilities, which inherently involve an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may

result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been or is probable of being incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

During the third quarter of FY24, the Company sent a letter to the landlord outlining certain structural defects on the newly constructed facility in Monterrey, Mexico that would inhibit the Company from effectively utilizing the facility for its intended purpose. The Company has initiated discussions with the landlord as to potential remedies which may inform our decision-making process with respect to this property. Changes in our long-term intended use for the building may impact the carrying value of the currently recorded right of use asset.

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General litigation contingencies

The Company is involved in various litigation proceedings arising during the normal course of business which, in the opinion of the management of the Company, will not have a material effect on the Company's financial position, results of operations or cash flows; however, there can be no assurance as to the ultimate outcome of these matters. As of January 31, 2024, to the best of the Company's knowledge, there were no significant outstanding claims or litigation.

Leases

We lease real property, equipment and automobiles. The Company made the accounting policy election to account for short-term leases as described herein. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

The Company determines if a contract contains a lease at inception. US GAAP requires that the Company's leases be evaluated and classified as operating or finance leases for financial reporting purposes. The classification evaluation begins at the commencement date and the lease term used in the evaluation includes the non-cancellable period for which the Company has the right to use the underlying asset, together with renewal option periods when the exercise of the renewal option is reasonably certain and failure to exercise such option would result in an economic penalty. All of the Company's real estate leases are classified as operating leases.

Most of our real estate leases include one or more options to renew, with renewal terms that generally can extend the lease term for an additional four to five years. The exercise of lease renewal options is at the Company's discretion. The Company evaluates renewal options at lease inception and on an ongoing basis and includes renewal options that it is reasonably certain to exercise in its expected lease terms when classifying leases and measuring lease liabilities. Lease agreements generally do not require material variable lease payments, residual value guarantees or restrictive covenants.

Lease cost

The components of lease expense are included on the consolidated statement of operations as follows (in 000's):

	Classification	Year Ended January 31, 2024	Year Ended January 31, 2023
Operating lease cost	Cost of goods sold	\$ 1,092	\$ 272
	Operating expenses	\$ 1,402	\$ 1,035
Short-term lease cost		\$ 221	\$ 169

Weighted-average lease terms and discount rates are as follows:

	January 31, 2024	January 31, 2023
Weighted-average remaining lease term (years)		
Operating leases	8.0	8.2
Weighted-average discount rate		
Operating leases	10.4%	5.25%

Supplemental cash flow information related to leases were as follows (in 000's):

	Year Ended January 31, 2024	Year Ended January 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,932	\$ 1,436
Leased assets obtained in exchange for new operating lease liabilities	\$ 5,591	\$ 1,148

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Maturity of Lease Liabilities

Maturity of lease liabilities as of January 31, 2024 was as follows (in \$000's):

Year ending January 31,	Operating Leases
2025	\$ 2,164
2026	2,092
2027	1,876

2028	1,805
2029	1,490
Thereafter	5,547
Total lease payments	14,974
Less: Interest	3,689
Present value of lease liability	\$ 11,285

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14. SEGMENT REPORTING

Domestic and international sales from continuing operations are as follows in millions of dollars:

	2024	2023
Domestic	\$ 55.3	\$ 49.0
International	69.4	63.8
Total	\$ 124.7	\$ 112.8

We manage our operations by evaluating each of our geographic locations. Our US operations include a facility in Alabama (primarily the distribution to customers of the bulk of our products and the light manufacturing of our chemical, wovens, reflective, and fire products). The Company also maintains one manufacturing company in China (primarily disposable and chemical suit production), a manufacturing facility in Mexico (primarily disposable, reflective, fire and chemical suit production), a manufacturing facility in Vietnam (primarily disposable production), a manufacturing facility in New Zealand (helmets) and a small manufacturing facility in India. Our China facilities produce the majority of the Company's products, and China generates a significant portion of the Company's international revenues. We evaluate the performance of these entities based on operating profit, which is defined as income before income taxes, interest expense and other income and expenses. We have sales forces in the USA, Canada, Mexico, Europe, Latin America, India, Russia, Kazakhstan, Australia, New Zealand and China, which sell and distribute products shipped from the United States, Mexico, India or China. The table below represents information about reported segments for the years noted therein:

	Year Ended January 31,	
	2024	2023
	(in millions of dollars)	
Net Sales		
USA Operations (including Corporate)	\$ 60.9	\$ 53.8
Other foreign	14.0	9.5
Europe (UK)	16.4	8.3
Mexico	6.7	5.2
Asia	46.2	63.7
Canada	9.3	9.0
Latin America	16.3	10.9
Less intersegment sales	(45.1)	(47.6)
Consolidated sales	\$ 124.7	\$ 112.8
External Sales		
USA Operations (including Corporate)	\$ 55.3	\$ 49.0
Other foreign	9.9	7.2
Europe (UK)	16.3	8.3
Mexico	4.0	3.7
Asia	13.8	24.8
Canada	9.3	9.0
Latin America	16.1	10.8
Consolidated external sales	\$ 124.7	\$ 112.8
Intersegment Sales		
USA Operations (including Corporate)	\$ 5.6	\$ 4.8
Other foreign	4.1	2.4
Europe (UK)	0.1	----
Mexico	2.7	1.5
Asia	32.4	38.9
Canada	—	—
Latin America	0.2	—
Consolidated intersegment sales	\$ 45.1	\$ 47.6

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	Year Ended January 31,	
	2024	2023
	(in millions of dollars)	
Operating Profit (Loss):		
USA Operations (including Corporate)	\$ (3.5)	\$ (6.4)
Other foreign	2.0	0.4
Europe (UK)	0.1	(1.3)
Mexico	(2.1)	(1.4)
Asia	4.6	10.9
Canada	1.5	1.5
Latin America	2.8	1.9
Less intersegment (profit) loss	0.3	(0.1)
Consolidated operating profit	\$ 5.7	\$ 5.5
Depreciation and Amortization Expense:		
USA Operations (including Corporate)	\$ 0.8	\$ 0.6

Other foreign	0.1	0.1
Europe (UK)	0.4	----
Mexico	0.2	0.2
Asia	0.5	0.5
Canada	0.1	0.1
Latin America	----	----
Less intersegment	----	----
Consolidated depreciation and amortization expense	\$ 2.1	\$ 1.5

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	Year Ended January 31,	
	2024	2023
	(in millions of dollars)	
Total Assets:		
USA Operations (including Corporate)	\$ 92.2	\$ 94.1
Other foreign	20.3	10.4
Europe (UK)	30.0	12.5
Mexico	12.1	5.5
Asia	51.6	55.8
Canada	8.5	6.0
Latin America	15.0	10.6
Less intersegment	(76.0)	(52.0)
Consolidated assets	\$ 153.7	\$ 142.9
Total Assets Less Intersegment:		
USA Operations (including Corporate)	\$ 47.1	\$ 65.2
Other foreign	19.6	9.2
Europe (UK)	27.2	12.5
Mexico	10.2	5.3
Asia	29.0	35.6
Canada	8.3	5.8
Latin America	12.3	9.3
Consolidated assets	\$ 153.7	\$ 142.9
Property and Equipment:		
USA Operations (including Corporate)	\$ 2.3	\$ 3.3
Other foreign	2.7	0.2
Europe (UK)	0.1	0.1
Mexico	2.8	2.0
Asia	2.6	2.4
Canada	----	0.8
Latin America	0.2	0.2
Less intersegment	----	0.1
Consolidated long-lived assets	\$ 10.7	\$ 9.1
Capital Expenditures:		
USA Operations (including Corporate)	\$ 0.5	\$ 1.2
Other foreign	----	----
Europe (UK)	----	----
Mexico	1.0	-
Asia	0.5	0.6
Canada	----	----
Latin America	\$ 0.1	0.2
Consolidated capital expenditure	\$ 2.1	\$ 2.0

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15. SUBSEQUENT EVENTS

The Company has reviewed and evaluated whether any material subsequent events have occurred from January 31, 2024 through the filing date of the Company’s Annual Report on Form 10-K. All appropriate subsequent event disclosures have been made in the consolidated financial statements. On February 5, 2024, the Company acquired Italy and Romania-based Jolly Scarpe S.p.A. and Jolly Scarpe Romania S.R.L. (collectively, "Jolly") in an all-cash transaction valued at approximately \$9.3 million subject to post-closing adjustments and customary holdback provisions. Jolly is a leading designer and manufacturer of professional footwear for the firefighting, military, police, and rescue markets. The company is headquartered in Montebelluna, Italy, with manufacturing operations in Bucharest, Romania, and has 150 employees. Jolly provides a differentiated product portfolio through its continued investment in research and development and use of modern materials and cutting-edge technologies in the production of its footwear.

On March 28, 2024, the Company entered into Amendment No. 4 to Loan Agreement by and between Bank of America, N.A. (the “Lender”) and the Company (the “Fourth Amendment”). See Note 7, “Long-Term Debt” for additional information.

On April 2, 2024, Lakeland Global Safety, Ltd. (“Lakeland Global”), a wholly-owned subsidiary the Company, entered into a Share Sale and Purchase Agreement (the “Purchase Agreement”), by and between Kantaras Investments Pte. Ltd., Lakeland Global, and the Company, pursuant to which Lakeland Global acquired all of the shares of the fire and rescue business of LHD Group Deutschland GmbH, LHD Group Australia Pty Ltd and LHD Group Hong Kong Ltd., wholly-owned entities of Kantaras Investments Pte. Ltd. (collectively, the “LHD Group”) for a purchase price of EUR 15.4 million (approximately USD \$16.7 million), subject to post-closing adjustments and customary holdback provisions. The LHD Group is a leader in firefighter turnout gear, accessories, and Total Care services, including laundry, repair, and maintenance. The transaction will be funded through the Company’s credit facility. The acquisition is expected to close in May subject to the satisfaction of customary closing conditions, including receipt of regulatory approvals.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURESEvaluation of Disclosure Controls and Procedures

Based on their evaluation as of the end of the period covered by this Form 10-K, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Remediation of Material Weakness

In connection with our audit of the fiscal year 2023 consolidated financial statements, we and our independent registered public accounting firm determined that we had material weaknesses in our internal control over financial reporting. These material weaknesses primarily pertained to process-level controls over foreign subsidiary currency translation or remeasurement to ensure the foreign subsidiary's account balances were accurately stated in the consolidated financial statements.

During the year ended January 31, 2024, we implemented enhanced procedures to remediate the deficiencies in our internal control over financial reporting that resulted in the material weakness. Specific remedial actions undertaken by management included, without limitation:

- Enhancing the existing monthly financial statement management review by including a reconciliation of key account balances on the general ledger back to the originally reported balances from the foreign subsidiary sub-ledgers (translated to USD);
- Reconfiguring the trial balance import process for its Argentina subsidiary to import and remeasure account balances in a manner consistent with other foreign subsidiaries; and
- Developing enhancements to the foreign subsidiary financial reporting packages by specifically quantifying and reviewing the currency fluctuation impact to the overall financial statements.

We have completed the process of implementing the aforementioned enhancements and believe that we have remediated the material weaknesses in our internal control over financial reporting with respect to the foreign subsidiary currency translation.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining effective internal control over financial reporting (ICOFR), as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process, under the supervision of the CEO and CFO, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the disposition of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on our assessment and those criteria, management has concluded that the Company maintained effective internal control over financial reporting as of January 31, 2024.

The Company acquired Pacific Helmets NZ Limited on November 30, 2023, which represented approximately 7% and 6% of the Company's net assets and total assets as of January 31, 2024 and 1% of total sales, for the year ended January 31, 2024. As the Pacific Helmets NZ Limited acquisition was completed during the fourth quarter of fiscal 2024, the scope of the Company's fiscal 2024 assessment of the effectiveness of its internal control over financial reporting does not include the acquired Pacific Helmets NZ Limited business. This exclusion is pursuant to the SEC's general guidance that an assessment of a recently acquired business' internal control over financial reporting may be omitted from the scope of the Company's assessment of its internal control over financial reporting for twelve months following the date of acquisition.

Changes in Internal Control over Financial Reporting

Other than the remediation efforts described above, which were ongoing during the last fiscal quarter ended January 31, 2024, there were no changes in the Company's internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(f) and 15d-15(f) of the Exchange Act during the quarter ended January 31, 2024 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Part III: Item 10, Directors, Executive Officers and Corporate Governance; Item 11, Executive Compensation; Item 13, Certain Relationships and Related Transactions and Director Independence; and Item 14, Principal Accountant Fees and Services is included in and incorporated by reference to Lakeland’s definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2024, to be filed with the Securities and Exchange Commission within 120 days following the end of Lakeland’s fiscal year ended January 31, 2024. Information relating to the executive officers of the Registrant appears under Item 1 of this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Part III: Item 10, Directors, Executive Officers and Corporate Governance; Item 11, Executive Compensation; Item 13, Certain Relationships and Related Transactions and Director Independence; and Item 14, Principal Accountant Fees and Services is included in and incorporated by reference to Lakeland’s definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2024, to be filed with the Securities and Exchange Commission within 120 days following the end of Lakeland’s fiscal year ended January 31, 2024. Information relating to the executive officers of the Registrant appears under Item 1 of this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The information regarding security ownership of certain beneficial owners and management that is required to be included pursuant to this Item 12 is included in and incorporated by reference to Lakeland’s definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2024.

Equity Compensation Plans

The following sets forth information relating to Lakeland’s equity compensation plans as of January 31, 2024:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) (a)	Weighted-average exercise price per share of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(1) (c)
Equity Compensation plans approved by security holders	193,151	\$ 15.92	190,466
Equity compensation plans not approved by security holders	—	—	—
Total	193,151	\$ 15.92	190,466

(1) The total reflected in column (c) includes shares available for grant as any type of equity award under our 2017 Equity Incentive Plan, as amended.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Part III: Item 10, Directors, Executive Officers and Corporate Governance; Item 11, Executive Compensation; Item 13, Certain Relationships and Related Transactions and Director Independence; and Item 14, Principal Accountant Fees and Services is included in and incorporated by reference to Lakeland’s definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2024, to be filed with the Securities and Exchange Commission within 120 days following the end of Lakeland’s fiscal year ended January 31, 2024.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Part III: Item 10, Directors, Executive Officers and Corporate Governance; Item 11, Executive Compensation; Item 13, Certain Relationships and Related Transactions and Director Independence; and Item 14, Principal Accountant Fees and Services is included in and incorporated by reference to Lakeland’s definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2023, to be filed with the Securities and Exchange Commission within 120 days following the end of Lakeland’s fiscal year ended January 31, 2024.

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PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

- a. (1) Financial Statements - Covered by Report of Independent Registered Public Accounting Firm
 - (A) Consolidated Statements of Operations for the years ended January 31, 2024 and 2023
 - (B) Consolidated Statements of Comprehensive Income for the years ended January 31, 2024 and 2023
 - (C) Consolidated Balance Sheets at January 31, 2024 and 2023
 - (D) Consolidated Statements of Stockholders’ Equity for the years ended January 31, 2024 and 2023
 - (E) Consolidated Statements of Cash Flows for the years ended January 31, 2024 and 2023

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(4) Exhibits – See (b) below

b. Exhibits

Exhibit No.	Description
2.1	Agreement for the Sale and Purchase of the Issued Shares of Eagle Technical Products Limited, by and between Lakeland Global Safety, Ltd as Buyer and Longworth Limited as Seller, dated as of December 2, 2022 (incorporated by reference to Exhibit 2.1 of Lakeland Industries, Inc.'s Form 10-K filed April 18, 2023).
2.2	Share Sale and Purchase Agreement, by and between Pacific Helmets NZ Limited and Lakeland NZ Limited, dated as of November 30, 2023 (filed herewith).
2.3	Share Purchase Agreement, by and between Minerva Manufacture de chaussures S.A. and Lakeland Global Safety, Ltd., dated as of February 5, 2024 (filed herewith).
3.1	Restated Certificate of Incorporation of Lakeland Industries, Inc., as amended (incorporated by reference to Exhibit 4.1 of Lakeland Industries, Inc.'s Registration Statement on Form S-8 filed on September 3, 2021).
3.2	Amended and Restated Bylaws of Lakeland Industries Inc., (incorporated by reference to Exhibit 3.1 of Lakeland Industries, Inc.'s Form 8-K filed April 28, 2017).
4.1	Description of Securities of the Registrant (incorporated by reference to Exhibit 4.1 of Lakeland Industries, Inc.'s Form 10-K filed April 18, 2023).
10.1	Employment Agreement dated February 11, 2021, between Allen E. Dillard and the Company (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 8-K filed February 16, 2021).*
10.2	Employment Agreement dated January 27, 2020, between Charles D. Roberson and the Company (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 8-K filed January 29, 2020).*
10.3	Form of Stock Option Certificate and Agreement (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 10-Q filed September 9, 2019).*
10.4	Lakeland Industries, Inc. Form of Indemnity Agreement (incorporated by reference to Exhibit 10.1 to Lakeland Industries, Inc. Form 8-K filed June 29, 2012).
10.5	Lease Agreement dated April 4, 2011, between Wallingfen Park Limited, as lessor, and Lakeland Industries Europe Limited, as lessee (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 10-Q for fiscal quarter ended April 30, 2015).
10.6	Agreement for the Purchase of Debts dated January 29, 2013 between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.1 to Lakeland Industries, Inc. Form 8-K filed February 25, 2013).
10.7	Fixed Charge on Non-vesting Debts and Floating Charge dated January 29, 2013 between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.2 to Lakeland Industries, Inc. Form 8-K filed February 25, 2013).
10.8	Standard Terms & Conditions dated May 15, 2018, for the debt provided by between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.6 of Lakeland Industries, Inc.'s Form 10-K filed April 16, 2019).
10.9	Amendment to Agreement for Purchase of Debts, dated effectively as of December 3, 2014 between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed December 8, 2014).

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10.10	Letter Agreement dated December 5, 2014, between Lakeland Industries, Inc. and HSBC Invoice Finance (UK) Ltd. (incorporated by reference to Exhibit 10.2 of Lakeland Industries, Inc.'s Form 8-K filed December 8, 2014).
10.11	Warehouse Service for Fee Agreement dated February 10, 2016, between Safety Pro, LLC and Lakeland Industries, Inc. (incorporated by reference to Exhibit 10.55 of Lakeland Industries, Inc. Form 10-K filed April 21, 2016).
10.12	Shares Transfer Agreement, dated as of June 18, 2015, by and among Lakeland Industries, Inc., Brasil Industria E Comercio de Roupas E Equipamentos de Protecao Individual Ltda, Zap Comércio de Brindes Corporativos Ltda and Jack Nemer (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 8-K filed June 25, 2015).
10.13	Lease Agreement dated December 1, 2018, between Tamash S.A., as lessor and Lakeland Argentina S.R.L., as lessee (incorporated by reference to Exhibit 10.20 of Lakeland Industries, Inc.'s Form 10-K filed April 16, 2019).
10.14	Loan Agreement, dated as of June 25, 2020, by and between Lakeland Industries, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed June 30, 2020).
10.15	Security Agreement, dated as of June 25, 2020, by and between Lakeland Industries, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 of Lakeland Industries, Inc.'s Form 8-K filed June 30, 2020).
10.16	Pledge Agreement, dated as of June 25, 2020, by and between Lakeland Industries, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.3 of Lakeland Industries, Inc.'s Form 8-K filed June 30, 2020).
10.17	Non-encumbrance Agreement, dated as of June 25, 2020, by Lakeland Industries, Inc. for the benefit of Bank of America, N.A. (incorporated by reference to Exhibit 10.4 of Lakeland Industries, Inc.'s Form 8-K filed June 30, 2020).
10.18	Employment Agreement, dated December 30, 2020, between Lakeland Industries, Inc. and Steven L. Harvey (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed January 5, 2021).*
10.19	Amendment No. 1 to Loan Agreement, dated as of June 18, 2021, by and between Lakeland Industries, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed June 24, 2021).
10.20	Lakeland Industries, Inc. 2017 Equity Incentive Plan, inclusive of all amendments through June 16, 2021 (incorporated by reference to Exhibit 4.3 of Lakeland Industries, Inc.'s Registration Statement on Form S-8 filed on September 3, 2021).*
10.21	Lakeland Industries, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed June 21, 2021).*
10.22	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 of Lakeland Industries, Inc. Form 10-Q for fiscal quarter ended July 31, 2021).*
10.23	Amendment to Employment Letter Agreement of Charles D. Roberson (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed January 6, 2022).*
10.24	Amendment to Agreement for Purchase of Debts, dated effectively as of March 3, 2022, between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.2 of Lakeland Industries, Inc.'s Form 10-Q filed June 7, 2023).
10.25	Investment Agreement, dated as of October 18, 2021, by and among Lakeland Industries, Inc., Inova Design Solutions LTD and the other parties thereto (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed on October 20, 2021).
10.26	Lease Agreement, by and between Morena de la Garza Gonzalez and Alejandro Mario Gonzalez Quezada and Lakeland Industries, Inc. (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed August 17, 2022).

10.27	Continuing Guaranty, dated as of July 6, 2022, by Lakeland Industries, Inc. in favor of Morena de la Garza Gonzalez and Alejandro Mario Gonzalez Quezada (incorporated by reference to Exhibit 10.2 of Lakeland Industries, Inc.'s Form 8-K filed August 17, 2022).
10.28	Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 of Lakeland Industries, Inc.'s Form 10-Q filed September 8, 2022) *

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10.29	Form of Director Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 of Lakeland Industries, Inc.'s Form 10-Q filed September 8, 2022) *
10.30	Employment Agreement, dated January 30, 2023, by and between Lakeland Industries, Inc. and Roger D. Shannon (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed February 2, 2023) *
10.31	Employment Agreement, dated September 1, 2022, by and between Lakeland Industries, Inc. and Hui An (incorporated by reference to Exhibit 10.30 of Lakeland Industries, Inc.'s Form 10-K filed April 18, 2023)*
10.32	Debt Purchase Facility Agreement, dated as of April 6, 2021, between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.2 of Lakeland Industries, Inc.'s Form 10-Q filed June 7, 2023)*
10.33	General Release and Severance Agreement, by and between Lakeland Industries, Inc. and Allen E. Dillard (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 10-Q filed June 7, 2023) *
10.34	Transition to Retirement Agreement and General Release, dated May 11, 2023, by and between Lakeland Industries, Inc. and Steven L. Harvey (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 10-Q filed September 6, 2023) *
10.35	General Release and Separation Agreement, dated October 19, 2023, by and between Lakeland Industries, Inc. and Charles D. Roberson (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 10-Q filed December 7, 2023) *
10.36	Amendment No. 2 to Loan Agreement, dated as of March 3, 2023, by and between Lakeland Industries, Inc. and Bank of America, N.A. (filed herewith)
10.37	Amendment No. 3 to Loan Agreement, dated as of November 30, 2023, by and between Lakeland Industries, Inc. and Bank of America, N.A. (filed herewith)
14.1	Lakeland Industries, Inc. Code of Ethics, as amended on September 29, 2017 (incorporated by reference to Exhibit 14.1 of Lakeland Industries, Inc.'s Form 10-K filed April 16, 2019).
21	Subsidiaries of Lakeland Industries, Inc. (wholly owned) and jurisdictions of incorporation: Lakeland Protective Wear, Inc. (Ontario, Canada) Weifang Meiyang Protective Products Co., Ltd. (China) Weifang Lakeland Safety Products Co., Ltd. (China) Lakeland (Beijing) Safety Products Co., Ltd. (Beijing & Shanghai China) Lakeland Industries Europe Ltd. (Cardiff, United Kingdom) Industrias Lakeland S.A. de C.V. (Zacatecas, Mexico) Lakeland Industries Chile Limitado (Santiago, Chile) Indian Pan-Pacific Sales Ltd. (Hong Kong, China) Lakeland (Hong Kong) Trading Co., Ltd. (Hong Kong, China) Lakeland Argentina, SRL (Buenos Aires, Argentina) Migliara S.A. (Uruguay) Lakeland Glove and Safety Apparel Private, Ltd. (Noida, India) Lakeland India Private Limited, New Delhi, India) RussIndProtection, Ltd. (Moscow, Russia) Art Prom, LLC (Kazakhstan, Russia) SpecProtect LLC (St. Petersburg, Russia) Lakeland (Vietnam) Industries Co., Ltd. (Nam Dinh, Vietnam) Lakeland Industries Australia Pty Ltd. (Morningside, Australia) Eagle Technical Products Limited (Manchester, United Kingdom) SALH1, Inc. (Delaware, United States) SALH2, Inc. (Delaware, United States) Lakeland Safety MX Monterrey, S.A. de C.V. (Monterrey, Mexico) Lakeland NZ Limited (Wanganui, New Zealand) Pacific Helmets NZ Limited (Wanganui, New Zealand) Jolly Scarpe S.p.A. (Italy) Jolly Scarpe Romania S.R.L. (Romania)
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm (filed herewith)
31.1	Certification of the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
97.1	Compensation Recoupment Policy (filed herewith)
101	Interactive Data Files for the Registrant's Form 10-K for the period ended January 31, 2023, formatted in Inline XBRL.
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101).

*Indicates a management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 10, 2024

By: /s/ James M. Jenkins

James M. Jenkins

Acting President and Chief Executive Officer and
Executive Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ James M. Jenkins</u> James M. Jenkins	Acting President and Chief Executive Officer and Executive Chairman	April 10, 2024
<u>/s/ Roger D. Shannon</u> Roger D. Shannon	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	April 10, 2024
<u>/s/ Thomas J. McAteer</u> Thomas J. McAteer	Director	April 10, 2024
<u>/s/ Nikki L. Hamblin</u> Nikki L. Hamblin	Director	April 10, 2024
<u>/s/ Jeffrey T. Schlarbaum</u> Jeffrey T. Schlarbaum	Director	April 10, 2024
<u>/s/ Ronald Herring</u> Ronald Herring	Director	April 10, 2024
<u>/s/ Melissa Kidd</u> Melissa Kidd	Director	April 10, 2024
<u>/s/ Martin Glavin</u> Martin Glavin	Director	April 10, 2024



Share sale and purchase agreement

relating to the sale of 100% of the shares in
Pacific Helmets NZ Limited

The persons listed in Schedule 1 (Sellers)

Lakeland NZ Limited (Buyer)

{H0716327.17}PwC Legal
15 Customs Street West, Private Bag 92162, Auckland 1010, New Zealand
www.pwc.co.nz/legal

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Date

30 November 2023 (Huntsville, Alabama local time)

Parties

Name	The persons listed in Schedule 1
Description	Sellers
Notice details	As set out in Schedule 1

Name	Lakeland NZ Limited
Description	Buyer
Notice details	1525 Perimeter Parkway, Suite 325, Huntsville, Alabama 35806, United States of America Email: jsletten@lakeland.com (Joshua Sletten)

Background

- A. The Sellers are the legal and beneficial owners of the Shares, which are all of the issued shares in the capital of the Company.
- B. The Sellers agree to sell, and the Buyer agrees to buy, the Shares on the terms set out in this Agreement.
- C. This Agreement is intended to be legally binding and the parties agree to give effect to the transaction contemplated by it.

The parties agree

1. Definitions and interpretation

1.1 Definitions

In this Agreement, unless the context otherwise requires:

Accounts means the audited special purpose financial statements relating to the Company as at the Accounts Date, a true copy of which is set out in this Agreement at Annexure A.

Accounts Date means 31 March 2023.

Accounting Standards means:

- (a) the accounting standards approved under the Financial Reporting Act 2013 and its requirements regarding the preparation and content of accounts; and
- (b) generally accepted and consistently applied accounting principles, policies and practices and procedures in New Zealand, except those inconsistent with the standards or requirements referred to in paragraph (a) of this definition.

Actual Cash Amount means the cash of the Company as at 11.59pm on the Completion Date.

Actual FY 24 Revenue means the actual revenue of the Company as at 11.59pm on 31 March 2024.

Actual Working Capital Amount means the Working Capital of the Company as determined in accordance with Schedule 4.

Agreed Completion Statement has the meaning given in paragraph 1.3(a) or 1.3(f) (as applicable) of Schedule 4.

Agreed Form means in a form agreed in writing between Sellers' Representative and the Buyer on or prior to the date of this Agreement.

Agreed Inventory Report has the meaning given in paragraph 1.3(a) or 1.3(f) (as applicable) of Schedule 3.

Agreement means this share sale and purchase agreement and all schedules, annexures and attachments to it, as amended by the parties in writing in accordance with its terms.

Associate means, in relation to a person:

- (a) a Related Company of that person;
- (b) any company, trust or limited partnership over which a Seller has control (as that term is defined in section CW 42(5) of the Tax Act);
- (c) if the person is a company, its directors and shareholders;
- (d) if the person is an individual, any relative of the individual;

- (e) with respect to Seller, the definition of “Associate” shall also include Pacific Fire New Zealand Ltd; or
- (f) an Associate of any party in clauses (a) to (e).

Australian Trade Marks means the following trade marks registered in the name of Pac Fire Australia (Pty) Ltd:

- (a) Australia Trade Mark No. 1227216 for PACIFIC HELMETS (word) in the name of Pac Fire Australia Pty Ltd; and
- (b) Australia Trade Mark No. 1227217 for  in the name of Pac Fire Australia Pty Ltd.

Australian Trade Marks Deed of Assignment means the deed of assignment, in Agreed Form, to be entered into between the Company and Pac Fire Australia Pty Ltd under which Pac Fire Australia Pty Ltd assigns the Australian Trade Marks to the Company.

Australian Trade Mark Licence Agreement means the licence agreement, in Agreed Form, to be entered into between the Company and Pac Fire Australia (Pty) Ltd under which the Company licenses the use of the Australian Trade Marks to Pac Fire Australia (Pty) Ltd.

Authorisation means:

- (a) a consent, registration, filing, agreement, notice of non-objection, notarisation, certificate, licence, approval, permit, authority or exemption from, by or with a Government Agency; and
- (b) any consent, registration or approval required from any non-governmental body to enable the Buyer to conduct the Business.

Business means the business of designing, manufacturing and distributing safety helmets conducted by the Company as at the date of this Agreement and as at the Completion Date.

Business Day means a day on which banks are open for general banking business in New Plymouth, New Zealand, and Huntsville, Alabama, excluding Saturdays, Sundays or public holidays in New Plymouth, New Zealand, and Huntsville, Alabama.

Business Intellectual Property means all Intellectual Property Rights owned by the Company and used in the conduct of the Business including as disclosed in the Disclosure Material.

Buyer Claim means a Claim by the Buyer against any or all of the Sellers.

Chinese Trade Mark means the following trade mark registered in the name of Pacific Safety International Limited:

- China Trade Mark No. 33433373 for  in the name of Pacific Safety International Limited.

Chinese Trade Mark Deed of Assignment means the deed of assignment, in Agreed Form, to be entered into between the Company and Pacific Safety International Limited under which Pacific Safety International Limited assigns the Chinese Trade Mark to the Company.

Claim means any claim, notice, demand, action, proceeding, litigation, investigation or judgment whether based in contract, tort, statute or otherwise finally determined in favour of a party by a court or competent jurisdiction or otherwise admitted by or agreed between the parties.

Company means Pacific Helmets NZ Limited (NZBN: 9429040763415).

Completion means completion of the sale and purchase of the Shares under this Agreement.

Completion Date means the date of this Agreement.

Completion Statement means the completion statement in the form set out in, and prepared in accordance with, Schedule 4.

Completion Steps means the steps to effect Completion as set out in paragraph 2 of Schedule 2.

Confidential Information means any information (in any form):

- (a) relating to the terms of this agreement;
- (b) relating directly or indirectly to the Business, the Company, any party, or to their respective suppliers or customers; or
- (c) disclosed by a party to another party or otherwise obtained by the other party on the express basis that such information is confidential in nature,

provided that, where information relates exclusively to one party, nothing in this agreement will require that party to maintain confidentiality in respect of that information.

Confidentiality Agreement means the confidentiality agreement with an effective date of 28 June 2023 between the Buyer and Pacific Safety International Limited (being the majority shareholder of the Company).

Consequential Loss means loss of profits, economic loss or special, indirect or consequential loss or damage, provided that it does not exclude any Losses arising naturally from any breach to which the Claim relates;

Debt means, at as Completion:

- (a) the aggregate amount owed by the Company to any bank or other external lender or person in respect of:
 - (i) loans (including any accrued but unpaid interest and including fees and costs incurred in connection with early repayment of indebtedness including break funding or swap unwinding fees or costs);
 - (ii) all amounts outstanding under any finance leases (but excluding, for the avoidance of doubt, amounts to be paid in respect of operating leases after Completion);
- (b) all costs, fees and expenses (including GST) paid or payable by the Company (including on behalf of any Seller and/or any Associate of a Seller) directly or indirectly in connection with the sale of the Shares and related transactions;

- (c) the aggregate amount owed by the Company to any Seller and/or any Associates of a Seller (whether in respect of repayment of Shareholder Loans, payment of fees, or any other amounts), excluding amounts payable to any Seller in their capacity as employees or contractors of the Company in the ordinary course of business;
- (d) all bonuses, whether contractual or discretionary, owed by the Company to any person as a consequence of the transaction contemplated by this Agreement;
- (e) the purchase price payable under the Image Signs asset sale agreement (on a GST exclusive basis);
- (f) dividends or other distributions declared by the Company but not yet paid; and
- (g) bank guarantees in respect of obligations of the Company in favour of the Company's customers, suppliers or landlords, to the extent that such guarantees have been drawn on or drawn down at Completion and are unpaid.

Debt Shortfall means the amount by which the Estimated Debt on Completion is less than the Debt of the Company as of the Completion Date.

Disclosure Letter means the letter from the Sellers' Representative to the Buyer in the Agreed Form.

Disclosure Material means:

- (a) the Disclosure Letter;
- (b) the Schedules and Annexures; and
- (c) the material and information listed in the Disclosure Material Index.

Disclosure Material Index means the index of documents, material and information, including the written responses submitted by or on behalf of the Sellers to questions from the Buyer or its advisors or representatives during the course of the Buyer's due diligence enquiries into the Company and its business, in Agreed Form set out in this Agreement at Annexure B.

Distribution Agreement means the exclusive distribution agreement between the Company and Pac Fire Australia Pty Limited in the Agreed Form.

Domain Names means each of the following domain names:

- (a) www.pacifichelmets.nz (registered in the name of Holly Curtis); and
- (b) www.pacifichelmets.co.nz (registered in the name of Internet Advertising New Zealand Limited).

Employees means the employees of the Company disclosed in the Disclosure Material and any persons who, with the prior consent of the Buyer, become employees of the Company between the date of this Agreement and Completion, and **Employee** means any one of them, as the context requires.

Encumbrance means:

- (a) a mortgage, pledge, charge, lien, hypothecation, encumbrance, deferred purchase, title retention, finance lease, contractual right of set-off, flawed asset arrangement, sale-and-repurchase or sale-and-leaseback arrangement, assignment by way of security, trust order or any other arrangement or agreement of any kind, the economic effect of which is to secure payment or performance of an obligation; and
- (b) a "security interest" as defined in section 17(1)(a) of the PPSA.

Environment has the same meaning given in section 2 of the *Resource Management Act 1991*.

Environmental Law means any law regulating or otherwise relating to the Environment including land use, planning, pollution of the atmosphere, water or land waste, the storage and handling of chemicals or Hazardous Substances.

Estimated Cash on Completion means the Sellers' good faith estimate of the cash in the Company's accounts immediately prior to the Completion Date.

Estimated Completion Statement means a statement prepared by the Sellers and delivered to the Buyer in accordance with clause 3.4 setting out the Estimated Working Capital Amount, with such statement being prepared in a manner and form consistent with paragraphs 2 and 3 of Schedule 4.

Estimated Debt on Completion means the Sellers' good faith estimate of the Debt on Completion that is notified to the Buyer in writing pursuant to clause 3.4 and which sets out the amounts payable by the Company in respect of the Debt of the Company.

Estimated Working Capital Amount means the estimated Working Capital of the Company as at 11.59pm on the Completion Date.

Estimated Working Capital Shortfall means the amount by which the Estimated Working Capital Amount is projected to be less than the Target Working Capital Amount pursuant to the Estimated Completion Statement.

Estimated Working Capital Surplus means the amount by which the Estimated Working Capital Amount is projected to be greater than the Target Working Capital Amount pursuant to the Estimated Completion Statement.

Fairly Disclosed means, in relation to any matter, disclosed so as to enable a reasonable buyer to identify and understand the nature and scope of the matter and make a reasonable assessment as to the impact of the matter.

Financial Indebtedness means any Debt or other indebtedness in respect of moneys borrowed or raised or any other financial accommodation, whether the indebtedness is present or future, actual or contingent and includes any indebtedness under or in respect of a financial (including negotiable) instrument of any kind, a guarantee, hedge agreement, redeemable or re-purchasable share, discounting arrangement, finance or capital lease or similar agreement, deferred purchase price, an obligation to deliver property or provide services paid for in advance by a financier or under a securitisation program.

Fundamental Warranties means the Warranties set out in paragraphs 1, 2 and 3 in Schedule 5.

Hazardous Substance means any natural or artificial substance capable of causing harm to humans or any other living organism supported by the environment, or of damaging the environment or public health, including any solid, liquid or gaseous substance, odour, heat, sound, vibration or radiation which is or may be:

- (a) noxious or poisonous or offensive to the senses of human beings;
- (b) harmful or potentially harmful to the health, welfare, safety or property of human beings;
- (c) poisonous, harmful, or potentially harmful to animals or plants; or
- (d) detrimental to any beneficial use made of the Environment.

Government Agency means any government or any governmental, semi-governmental, administrative, fiscal, judicial, local governmental, public, statutory authority, organisation, body or delegate having jurisdiction, authority or power over or in respect of the Company or the Business, in New Zealand or any other part of the world.

GST means goods and services tax chargeable in accordance with the GST Act and includes any interest, fine, penalty, charge, fee or any other amount imposed on or in respect of goods and services tax.

GST Act means the *Goods and Services Tax Act 1985*.

Holdback Amount means the sum of \$1,400,000.

Holdback Period means the period from Completion to the Holdback Release Date.

Holdback Release Date means the first Business Day that occurs 12 months after the Completion Date.

Independent Expert means the person agreed to be appointed as independent expert by the Sellers' Representative and the Buyer or, if they do not agree on the person to be appointed within five Business Days of either one of them requesting such appointment, an independent expert having relevant qualifications to determine the subject matter of the dispute nominated by the President of the New Zealand Law Society at the request of either the Sellers' Representative or the Buyer.

Initial Purchase Price means the aggregate of:

- (a) \$14,000,000, less;
- (b) the Holdback Amount, plus;
- (c) the Estimated Cash on Completion,
- (d) as the case may be:
 - (i) plus the Estimated Working Capital Surplus; or
 - (ii) less the Estimated Working Capital Shortfall,
 as notified to the Buyer pursuant to clause 3.40(b).

Intellectual Property Rights means all intellectual property and proprietary rights (whether registered or unregistered) including:

- (a) any patents, utility models, copyrights, trade marks, trade names, brand names, indications of source or appellations of origin, eligible layout rights, domain names, plant variety rights, registered designs and commercial names and designations;
- (b) invention, discovery, trade secret, computer software and confidential, scientific, technical and product information;
- (c) any right to have information kept confidential;
- (d) Know How;
- (e) other rights resulting from intellectual activity in the industrial, scientific, literary and artistic fields whether industrial, commercial, agricultural or extractive and whether dealing with manufactured or natural products; and
- (f) applications, letters patent, deed of grant, certificate or document of title for any thing referred to in paragraphs (a) to (e) of this definition and any medium in which anything referred to in those paragraphs is stored or embodied and which are used in the Business.

Inventory means all stock in trade (including raw materials, packaging and containers, work in progress and finished goods) in use or intended for use in connection with the Business as at 4pm on the Completion Date, including goods in transit and inventory ordered, and paid for, by the Company before the Completion Date but not received by the Completion Date.

Know How means the information or know-how owned by, or in the possession or control of, the Sellers relating to the Business, its systems, technology and affairs (and whether written or unwritten) including:

- (a) financial, technological, strategic or business information, concepts, plans, strategies, directions or systems;
- (b) research, development, operational, legal, marketing or accounting information, concepts, plans, strategies, directions or systems;
- (c) technology, inventions, discoveries, improvements, processes, formulae, techniques, manuals, instructions, source and object codes for computer software, Intellectual Property Rights and technical and historical information relating to them; and
- (d) customer and supplier information.

Leased Premises means the properties leased by the Company at 315 Heads Road, Whanganui and 305-307 and part of 309 Heads Road, Whanganui from which the Business is carried on.

Loss means any damage, loss, cost, expense or liability, howsoever arising which a party will be entitled to recover as a matter of law (including GST and any other Taxes) but excludes Consequential Loss.

Management Accounts means the management accounts of the Company for the period from day after the Accounts Date to November 30, 2023.

Permitted Encumbrance means an Encumbrance that is:

- (a) a reservation of ownership or other 'purchase money security interest' (as that term is defined in the PPSA) entered into in respect of supplies to the Company in the ordinary course of business, on arm's length commercial terms in respect of obligations that are not overdue;
- (b) a lease, hire purchase or conditional sale agreement of an asset entered into by the Company in the ordinary course of Business;
- (c) a right or set-off or combination arising by operation of law or practice over money deposited with a bank or financial institution in the ordinary course of Business;
- (d) a lien or security interest arising by operation of law and in the ordinary course of Business provided that the debt it secures is paid when due or contested in good faith by appropriate proceedings; and
- (e) a security interest arising under section 17(1)(b) of the PPSA that does not secure payment or performance of an obligation.

Personal Information means "personal information", as defined in the Privacy Act 2020, held by the Company in connection with the Business.

Plant and Equipment means the items of plant, equipment, machinery, motor vehicles, furniture, fixtures and fittings, office machines, computer equipment and other fittings or chattels owned by the Company.

PPSA means the *Personal Property Securities Act 1999*.

PPSR means the Personal Property Securities Register established under section 139 of the PPSA.

Privacy Laws means the Privacy Act 2020 and any code of practice that applies to the Company.

Property Leases means the leases, licences or other occupancy agreements in respect of the Leased Premises.

Purchase Price has the meaning given to it in clause 3.1.

Records means all original and copy records, documents and files relating exclusively to, or used by the Company or the Business and which are in the Company's possession or under its control, including certificates of registration, books of account, Tax Records, customer lists, price lists, intermediary lists, supplier lists, trading and financial records, regardless of their form or medium.

Related Company has the meaning given in section 2(3) of the *Companies Act 1993* amended such that the term 'company', where used in that section, includes any corporate entity, wherever incorporated, and 'Related Companies' means any number of such companies.

Relief includes:

- (a) any loss, allowance, credit, deduction, rebate, set-off or other relief taken into account in computing, any Tax liability, or any grant conferred on any person; or
- (b) any right to repayment of Tax (whether or not including interest or penalties),

whether in New Zealand or elsewhere.

Sellers Guarantees means the guarantees given by the Sellers in relation to the obligations of the Company or the Business which have been Fairly Disclosed to the Buyer in the Disclosure Materials.

Sellers' Representative means David Bennett.

Sellers' Solicitor means PwC Legal, 15 Customs Street West, Auckland 1010.

Shares means all of the issued capital in the Company.

Shareholder Loans means all amounts owed by the Company to any Seller or any Associate of a Seller (except in respect of employment emoluments).

Specific Indemnity means the indemnities set out in clause 10.

Surviving Provisions means clauses 1 (Definitions and interpretation), 8 (Warranties and indemnities), 13.1 (Notices), 13.2 (Governing law and jurisdiction), 13.4 (Waivers), 13.5 (Variations), 13.8 (Entire agreement), 13.10 (Third Party rights), 13.15 (No assignment or novation), 13.16 (Costs), 13.19 (Confidentiality) and 13.20 (Announcements).

Systems means information technology and telecommunications systems, hardware and software exclusively owned, licensed to or used by the Company in the conduct of the Business as at the date of this Agreement.

Target FY24 Revenue means \$11,100,000.

Target Working Capital Amount means \$2,500,000.

Tax means:

- (a) all forms of taxation, withholding, duties, dues, imposts, levies, rates or other statutory or governmental impositions of whatever nature, imposed in New Zealand or elsewhere, including, income tax, withholding tax, approved issuer levy, fringe benefit tax, stamp duty, GST, gift duty, customs or excise duties, contributions under the KiwiSaver Act 2006 or other superannuation or pension contributions, regional or local taxes, municipal taxes and accident compensation levies; and
- (b) all interest or penalties relating to, or arising in connection with, the imposition of non or late or under-payment of any such Tax including, for the avoidance of doubt, any such interest or penalties that accrue or are assessed or imposed after the Completion Date and which relate to Tax for which the Seller is liable to indemnify the Buyer under clause 9.

Tax Act means *the Income Tax Act 2007*.

Tax Authority means any Government Agency that is responsible for administering or levying Tax, whether in New Zealand or elsewhere.

Tax Claim means any Claim arising from breach of a Tax Warranty or under the Tax Indemnity.

Tax Demand includes any notice, demand, assessment, letter or other document issued, or action taken, by or on behalf of any Tax Authority or other person, whether issued or occurring before or after

Completion, whereby the Buyer or the Company may be, or be sought to be, placed under any or any increased liability to Tax or may be deprived or sought to be deprived of any Relief which might otherwise have been available.

Tax Indemnity means the indemnity in clause 9.

Tax Law means any law or statute relating to any Tax, as the context requires.

Tax Records means all records, documents and other information concerning or relating to the Tax affairs, Tax accounting, Tax returns and Tax compliance of the Company, including records, documents and other information which the Company is required by applicable Tax Law to retain.

Tax Saving, in respect of a Loss, means an actual cash Tax saving arising, including:

- (a) where the amount of a Loss suffered or incurred is wholly or partly deductible for income tax purposes, the amount of the deduction to which the relevant person is entitled multiplied by the relevant Taxation rate (and such deduction is deemed to arise in the same income year as the relevant Loss is suffered or incurred); and
- (b) the amount of any GST input tax credit or other deduction from output tax to which the relevant person is entitled,

in either case in any past, current or future period.

Tax Warranties means the warranties in paragraph 23 of Schedule 5 and Tax Warranty means any one of them as the context requires.

Third Party means any person or entity (including a Government Agency) other than the Sellers or the Buyer.

Third Party Claim means any claim, demand, legal proceedings or cause of action made or brought by a Third Party.

Third Party Intellectual Property means any Intellectual Property Rights which are owned by a Third Party (including the Sellers or an Associate of a Seller) and used by the Company in the conduct of, or forming part of, the Business including as disclosed in the Disclosure Material.

Warranties means the warranties referred to in clause 8 and set out in Schedule 5.

Working Capital Shortfall means the amount by which the Estimated Working Capital Amount is less than the Target Working Capital Amount.

Working Capital Surplus means the amount by which the Estimated Working Capital Amount is greater than the Target Working Capital Amount.

1.2 Interpretation

In this Agreement headings and boldings are for convenience only and do not affect the interpretation of this Agreement and, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;

- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to:
 - (i) a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this Agreement, and a reference to this Agreement includes any schedule or annexure;
 - (ii) anything “determined” or “specified” by, or requiring the “approval” or “consent” of, or otherwise granting a discretionary right, power or obligation in favour of, a party gives that party the sole and unfettered discretion to make that determination or specification or to grant that approval or consent or otherwise exercise that discretionary right, power or obligation;
 - (iii) a document or instrument (however described, including this Agreement) includes the document or instrument as novated, altered, supplemented or replaced from time to time and in any form, whether in paper or electronic form;
 - (iv) the term dollar or \$ is to New Zealand currency;
 - (v) obligations in this Agreement which require, payment of money will be a reference to, or deemed to be an obligation requiring, payment of money in immediately available cleared funds or in any other form that the parties agree in writing;
 - (vi) time is to New Zealand time;
 - (vii) a party is to a party to this Agreement, and a reference to a party to a document (including this Agreement) includes the party's executors, administrators, successors, substitutes (including persons taking by novation) and permitted assigns;
 - (viii) a person includes a natural person, partnership, joint venture, body corporate, association, Government Agency or other entity;
 - (ix) a statute, ordinance, code or other law includes regulations, rules, orders and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 - (x) “knowledge” or “as far as the Sellers are aware” or words to that effect, in relation to a matter, means the knowledge the Sellers have after making, or would have if the Sellers had made, reasonable enquiries in relation to that matter, and includes the actual knowledge of each of the Sellers or any owners or directors of any Seller;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example” or similar expressions;
- (e) “law” includes legislation, the rules of the general law, including common law and equity, and any judgment order or decree, declaration or ruling of a court of competent jurisdiction or Government Agency binding on a person or the assets of that person;
- (f) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this Agreement or any part of it;

- (g) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day;
- (h) each Seller agrees that:
 - (i) the Sellers' Representative shall be its representative for the purposes of this Agreement;
 - (ii) the Sellers' Representative shall be entitled to give and receive notices and provide consents under this Agreement on behalf of each Seller;
 - (iii) the Buyer may provide any notice due to be given to a Seller under this Agreement by giving that notice to the Sellers' Representative, and such notice will be deemed to have been provided to all of the Sellers;
 - (iv) the Buyer is entitled to rely on notices sent by (and consents given by) the Sellers' Representative under this Agreement as if such notice (or consent) was executed by each Seller; and
 - (v) the Buyer may disregard any notices given by a Seller under this Agreement if such notice is not executed by the Sellers' Representative;
- (i) each Seller agrees that undertakings, warranties, representations, covenants, agreements and other obligations of the Sellers under this Agreement will bind and be deemed to have been given or assumed by each of them jointly and severally; and
- (j) except as otherwise contemplated by this Agreement, references to and expressions used in connection with financial calculations, valuations, accounting or financial reporting functions or their description in this Agreement bear the meanings given to those expressions in accordance with New Zealand Generally Accepted Accounting Practices or New Zealand International Financial Reporting Standards (as applicable).

2. Sale and purchase

2.1 Sale and purchase

The Sellers agree to sell, and the Buyer agrees to buy, the Shares:

- (a) on the Completion Date;
- (b) for the Purchase Price; and
- (c) free of any Encumbrance (excluding in connection with any security interests granted by the Company in favour of Bank of New Zealand and supported by registered financing statement F96ZWB8ME2X54R63) and other Third Party rights or interests and with all rights, including dividend and voting rights, attached or accrued to them at Completion,

in accordance with the terms of this Agreement.

2.2 Pre-emption Waiver

The Sellers each waive any right of pre-emption and other restrictions on transfer conferred on each of them in respect of any or all of the Shares.

3. Purchase Price

3.1 Purchase Price amount

The Purchase Price is an amount equal to the Initial Purchase Price plus the Holdback Amount, subject to any post-Completion adjustment pursuant to this Agreement (**Purchase Price**).

3.2 Payment

- (a) On Completion, the Buyer will pay the Initial Purchase Price less an amount equal to the Estimated Debt on Completion to the Sellers.
- (b) Following Completion, the Buyer or the Sellers (as the case may be) must pay any amounts required as an adjustment to the Purchase Price, to be made pursuant to the terms of this Agreement.
- (c) Following Completion, the Buyer will pay the Holdback Amount in accordance with clause 3.6 to the Sellers.

3.3 All Shareholder Loans to be repaid prior to Completion

Immediately prior to Completion:

- (a) the Sellers must procure that the Company discharge and pay in full all Shareholder Loans; and
- (b) each Seller and its Associates must repay in full all amounts owed by that Seller and/or its Associate to the Company (except to the extent such amounts remain outstanding in connection with the sale and purchase of products by any Associates in the ordinary course of business and usual payment terms).

3.4 Statement of Estimated Cash on Completion and Estimated Debt on Completion; Estimated Working Capital Amount

One Business Day before the anticipated Completion Date, the Sellers' Representative must deliver to the Buyer:

- (a) a written statement which specifies the Estimated Cash on Completion;
- (b) the Estimated Completion Statement together with a written statement which specifies the Estimated Working Capital Amount, and the Estimated Working Capital Surplus or Estimated Working Capital Shortfall, as the case may be; and
- (c) a written statement which specifies the Estimated Debt on Completion.

3.5 Payment of Debt

Following the Completion, the Company will remain responsible for the payment and full discharge of all of the Debt payable by the Company.

3.6 Holdback Amount

- (a) The Buyer will ensure that the Holdback Amount will remain available to the Buyer to be used in accordance with this Agreement until such time as it is paid pursuant to this clause 3.6.
- (b) If any amount is payable by the Sellers to the Buyer in accordance with clause 5.2 and clause 5.3, the Buyer may withhold the relevant amount from the Holdback Amount and the withheld amount will be deemed to have been paid by the Sellers to the Buyer in accordance with clause 5.2.
- (c) If, during the Holdback Period:
 - (i) the Buyer makes a Claim in respect of a Warranty or under the Tax Claim or the Specific Indemnity against the Sellers in compliance with the provisions of this Agreement; and
 - (ii) such a Claim in respect of a Warranty or under the Tax Claim or under the Specific Indemnity (as applicable) has been agreed between the Sellers' Representative and the Buyer, or finally determined by a court of competent jurisdiction, to be a claim for which the Sellers must indemnify the Buyer (such claim being a **Resolved Claim**),

then the Buyer may withhold the amount of the Resolved Claim from the Holdback Amount, and the withheld amount will be deemed to be a reduction to the Purchase Price.

- (d) If, at the end of the Holdback Period, the Buyer has commenced proceedings in a court of competent jurisdiction against the Sellers for a Claim in respect of a Warranty or under the Tax Claim or under the Specific Indemnity against the Sellers in accordance with the provisions of this Agreement (**Unsettled Claim**) then for, as long as the Buyer diligently pursues the Unsettled Claim, the Buyer must, as soon as reasonably practicable (and in any event within 10 Business Days of the end of the Holdback Period) pay the amount equal to:
 - (i) the Holdback Amount, less
 - (ii) any amount paid under clause 3.6(b) above, less
 - (iii) the Buyer's reasonable estimate of the quantum of such Unsettled Claim,

(such amount not to be a negative number) to the Sellers. On resolution or settlement of the Unsettled Claim, the Buyer must, as soon as reasonably practicable (and in any event within 10 Business Days of resolution or settlement of the Unsettled Claim) pay the balance of the Holdback Amount, less any amount to which the Buyer is entitled pursuant to such resolution or settlement, to the Sellers, and the withheld amount will be deemed to be a reduction to the Purchase Price.

- (e) Notwithstanding any provision of this Agreement, if at the end of the Holdback Period there are no Unsettled Claims or the Unsettled Claims are not resolved or settled within the expiry of 12 months following the Holdback Period (the **Longstop Period**), the Buyer must, as soon as

reasonably practicable (and in any event within 10 Business Days of the end of the Holdback Period or Longstop Period as applicable) pay the amount equal to:

- (i) the Holdback Amount, less
 - (ii) any amount paid under clause 3.6(b) above,
- to the Sellers.

3.7 Lowest Price

For the purposes of subpart EW of the Tax Act, the parties:

- (a) acknowledge that the Purchase Price is the lowest price that they would have agreed upon with respect to the Shares at the time this Agreement was executed if payment had been required in full at the time at which the first 'right' (as defined in the Tax Act) in the Shares was transferred from the Sellers to the Buyer. Accordingly, the Purchase Price is the "lowest price" in accordance with the Tax Act; and
- (b) agree that they will compute their taxable income for the relevant period on the basis that the Purchase Price includes no capitalised interest and they will file their New Zealand Tax returns accordingly.

4. Completion

4.1 Time and place for Completion

Subject to the provisions of this Agreement, Completion must take place at the office of the Sellers' Solicitor or otherwise by electronic exchange at 10am on the Completion Date.

4.2 Completion

- (a) On or before Completion, each party must carry out the Completion Steps required of it in accordance with Schedule 2.
- (b) Completion will have occurred when each relevant party has completed or waived the Completion Steps.

4.3 Simultaneous actions at Completion

In respect of Completion:

- (a) the obligations of the parties under this Agreement are interdependent;
- (b) all actions required to be performed will be taken to have occurred or waived simultaneously on the Completion Date; and
- (c) the Buyer need not complete the purchase of any Shares unless the purchase of all the Shares is completed simultaneously.

4.4 Notice to complete

- (a) If a party (**Defaulting Party**) fails to satisfy its obligations under clause 4.2 and Schedule 2 on the day and at the place and time for Completion, then the other party (**Non-defaulting Party**) may give the Defaulting Party a notice (**Completion Notice**) requiring the Defaulting Party to satisfy those obligations within a period of 10 Business Days from the date of the Completion Notice and declaring time to be of the essence.
- (b) If the Defaulting Party fails to satisfy the obligations set out in the Completion Notice within those 10 Business Days the Non-defaulting Party may, without limiting any other rights it may have, terminate this Agreement by written notice to the Defaulting Party.

4.5 Conditions of Completion

- (a) Completion is conditional on the Buyer and the Sellers complying with all of their obligations under this clause 4.
- (b) The Buyer may, in its sole discretion, waive any or all of the actions (where permitted by law) that the Sellers are required to perform under paragraph 2.1 of Schedule 2 and the Sellers may, in their sole discretion, waive any or all of the actions (where permitted by law) that the Buyer is required to perform under paragraph 2.2 of Schedule 2.
- (c) Unless otherwise waived by the party receiving the benefit of this clause, if the Sellers or the Buyer fail to fully comply with their obligations under this clause 4 and do not complete this Agreement, then each party must:
 - (i) return to the other relevant party all documents and Records delivered to it under this clause 4 or Schedule 2 and as may be required under the Confidentiality Agreement;
 - (ii) repay to the other relevant party all payments received by it under this clause 4 or Schedule 2; and
 - (iii) do everything reasonably required by the other relevant party to reverse any action taken under this clause 4 or Schedule 2,

without prejudice to any other rights any party may have in respect of that failure.

5. Completion Statement and adjustment of Purchase Price

5.1 Completion Statement

Following Completion, the Sellers and the Buyer must cause the Completion Statement to be prepared in accordance with Schedule 4.

5.2 Post-Completion adjustment of Purchase Price

- (a) If the Actual Working Capital Amount of the Company in the Agreed Completion Statement is:
 - (i) less than the Estimated Working Capital Amount, the Sellers must refund an amount equal to the shortfall to the Buyer; or

- (ii) more than the Estimated Working Capital Amount, the Buyer must pay an amount equal to the excess to the Sellers,

within five Business Days of the Agreed Completion Statement becoming final and binding on the parties.

- (b) If the Actual Cash Amount of the Company in the Agreed Completion Statement is:

- (i) less than the Estimated Cash on Completion, the Sellers must refund an amount equal to the shortfall to the Buyer; or
- (ii) more than the Estimated Cash on Completion, the Buyer must pay an amount equal to the excess to the Sellers,

within five Business Days of the Agreed Completion Statement becoming final and binding on the parties.

- (c) If the Debt of the Company as of the Completion Date is more than the Estimated Debt on Completion, the Sellers must pay the Company an amount equal to the Debt Shortfall, and the Buyer must procure that the Company applies the funds paid to it under this clause 5.2(c) towards the payment and full discharge of all of the Debt payable by the Company.

5.3 Adjustment of Purchase Price for Target FY24 Revenue shortfall

- (a) Subject to the Buyer complying with clause 5.3(b), if the Actual FY24 Revenue is less than the Target FY24 Revenue, the Sellers must refund the shortfall to the Buyer.
- (b) The Buyer undertakes to the Seller from the Completion Date to 31 March 2024 to carry on the Business:
 - (i) independently of any other business of the Buyer or any Associate of the Buyer;
 - (ii) in the ordinary and usual course of the Business as carried on at Completion;
 - (iii) on an arms' length basis and on reasonable commercial terms; and
 - (iv) and use its best endeavours to maximise the revenue of the Company for the financial year ended 31 March 2024;
- (c) The Buyer acknowledges and agrees that it will not, and will procure that the Company does not, directly or indirectly:
 - (i) take any action, or cause or permit anything to be done that could distort the financial performance of the Company (including, for the avoidance of doubt, taking any action to defer or delay sales), or with the purpose of prejudicing the ability of the Company to maximise the revenue of the Company for the financial year ended 31 March 2024;
 - (ii) divert or redirect any trade, business opportunities or revenue away from the Company including by way of establishing, acquiring or developing any business in any location in which the Company carries on its Business that competes with or is similar to the Business of the Company as carried on at Completion;

- (d) The Buyer must provide a monthly sales report to the Sellers' Representative (within 5 Business Days of the end of each month up to and including 31 March 2024) that includes information about total sales and revenue received by the Company during the previous month including anticipated sales volumes and revenue earnings of the Company for the remaining period up to and including 31 March 2024 together with any supporting information as reasonably requested by the Sellers' Representative from time to time.

5.4 Adjustment to the Purchase Price

Any payment under this clause 5 will be an adjustment to the Purchase Price.

6. *Period after Completion*

6.1 Information requirements

After Completion, the Buyer must (and must procure that the Company does), after reasonable notice in writing from the Sellers, give the Sellers and their advisers reasonable access to the documents, Records and accounts of the Company during normal business hours (and permit the Sellers and their advisers to take copies of them at the Sellers' expense) for the purpose of the Sellers using them in connection with:

- (a) the preparation of any Tax return, or responding or dealing with any Government Agency in relation to a Tax matter, in respect of a period before the Completion Date;
- (b) any actual or threatened legal or administrative inquiry by any Government Agency;
- (c) any actual or threatened Claim for breach of this Agreement (including breach of Warranty) or of any agreement executed pursuant to this Agreement; or
- (d) the preparation or audit of any financial statement which the Sellers are legally required to prepare.

6.2 Consultation and transitional support

The Sellers will, at their cost, use their reasonable endeavours to ensure that Jason Crowe:

- (a) remains available to the Buyer for the provision of reasonable consultation and transitional support services from the Completion Date up to 31 March 2024; and
- (b) complies with the reasonable instructions of the Buyer in relation to the manner in which any such services are to be conducted.

6.3 Domain Names

To the extent that the Domain Names have not transferred to the Company on or before Completion, the Sellers will use their reasonable endeavours to procure that the Domain Names are transferred to the Company, and that the Company is recorded as the registrant of each of the Domain Names, for a period of up to six months from Completion.

7. Release of Sellers Guarantees

The Buyer and the Sellers:

- (a) must each use reasonable commercial endeavours to procure the release of the Sellers and their Associates from each of the Sellers Guarantees with effect from Completion; and
- (b) to the extent to which the release of a Sellers Guarantee is not obtained by Completion, the Buyer indemnifies the Sellers and their Associates from and against any Claim or liability arising out of the Sellers Guarantees that may be suffered or incurred by the Sellers or any of their Associates, where such liability arises as a result of activities of the Business occurring after Completion.

8. Warranties

8.1 Giving of Warranties

- (a) Subject to the qualifications and limitations in this clause 8, the Sellers jointly and severally warrant to the Buyer at the date of this Agreement and at Completion (by reference to the circumstances then existing) that each Warranty is true and accurate and not misleading.
- (b) The Sellers acknowledge that the Buyer has entered into and will complete this Agreement in reliance on the Warranties.
- (c) Each Warranty remains in full force and effect after Completion and is to be construed separately and independently from the others and is not limited by reference to any other Warranty or any other provision of this Agreement.

8.2 Sellers to disclose breach

The Sellers must promptly notify the Buyer if, at any time after the date of this Agreement, but prior to Completion, the Sellers become aware:

- (a) of anything that does or might constitute a breach of any of the Warranties as at the date of this Agreement; or
- (b) that an act or event has occurred which would or might reasonably be expected to result in a Warranty ceasing to be true at Completion.

8.3 Disclosure Matters

- (a) The Buyer acknowledges and agrees that the Sellers have disclosed, or are deemed to have disclosed, against the Warranties (other than the Tax Warranties and the Fundamental Warranties), and the Buyer is aware of, and will be treated as having actual knowledge of, all facts, matters and circumstances which:
 - (i) are Fairly Disclosed in the Disclosure Material;
 - (ii) were recorded against the name of the Company in a public register maintained by any of the following bodies, on 24 November 2023:

- (A) Land Information New Zealand;
 - (B) the Companies Office (including the PPSR);
 - (C) Intellectual Property Office of New Zealand (IPONZ) and Domainz; or
 - (D) the High Court of New Zealand;
- (iii) are specifically provided for or contemplated under the terms of this Agreement; or
 - (iv) are done or omitted at the written request, or with the written approval, of the Buyer.
- (b) The Warranties (other than the Tax Warranties and the Fundamental Warranties) are given subject to the disclosures or deemed disclosures described in clause 8.3(a). The Sellers will have no liability under the Warranties (other than the Tax Warranties and the Fundamental Warranties) to the extent that disclosure is made, or is deemed to have been made, against the Warranties under this clause 8.3.

8.4 Time limitations

The Buyer may only make a Claim in respect of a Warranty or under the Tax Indemnity or the Specific Indemnity, if:

- (a) in respect of any Warranty (other than the Tax Warranties) or the Specific Indemnity, it has given written notice to the Sellers' Representative setting out the general nature of the Claim and the matters giving rise to that Claim within 24 months from the Completion Date;
- (b) in respect of a Tax Claim, it has given written notice to the Sellers' Representative of the general nature of the Tax Claim within 6 years from the Completion Date; and
- (c) the Buyer gives notice in writing of a Claim to the Sellers' Representative, setting out reasonable particulars of the grounds on which it is based, together with the Buyer's estimate (on a without prejudice basis) of the amount of such Claim (where possible) as soon reasonably practicable after the Buyer becomes aware of the fact or circumstance giving rise to the Claim provided that a failure by the Buyer to do so will not preclude the Buyer from making a Claim.

8.5 De minimis and basket

The Sellers are not liable to make any payment (whether by way of damages or otherwise) for any breach of any Warranty (excluding the Fundamental Warranties):

- (a) **De minimis:** if the amount finally adjudicated or agreed against the Sellers in respect of the breach, or a series of breaches relating to the same or substantially similar facts, matters or circumstances, is less than 0.1 percent of the Purchase Price; and
- (b) **Basket:** until the total of all amounts finally adjudicated or agreed against the Sellers in respect of breaches of Warranty exceeds 1 percent of the Purchase Price,

in which case the Sellers are liable to pay all amounts adjudicated or agreed as being payable, not just the excess over the relevant threshold.

8.6 Maximum liability

- (a) The maximum aggregate amount which the Buyer may recover from the Sellers under this Agreement for all Claims (whether by way of damages or otherwise) for breach of Warranties (excluding the Fundamental Warranties and the Tax Warranties) is 50 per cent of the Purchase Price as adjusted.
- (b) The maximum aggregate amount which the Buyer may recover from the Sellers under this Agreement for all Claims for breach of the Fundamental Warranties and in respect of the Tax Warranties or under the Tax Indemnity or under the Specific Indemnity, is the Purchase Price (as adjusted).

8.7 Limitation for Future Events

The Sellers are not liable to the Buyer for any Claim, or increase in any Claim, for breach of a Warranty (other than a Tax Claim) if that Claim would not have arisen except for:

- (a) anything voluntarily done or not done after Completion by the Buyer or any person acting on behalf of the Buyer including as a result of or in connection with ceasing to carry on business with any person who was a customer of the Company as at Completion, other than:
 - (i) the exercise of rights, or the satisfaction of an obligation, under this Agreement;
 - (ii) the satisfaction of an obligation under any consent, legislation, regulations, or Government Agency requirement in force as at Completion;
 - (iii) the satisfaction of an obligation under any Business contract; or
 - (iv) in accordance with general practice of the Company prior to Completion;

which the Buyer was aware was reasonably likely to give rise to a Claim (except where it is as a result of a breach of Warranty by the Sellers);
- (b) the enactment of any legislation or generally accepted accounting practice after Completion, including legislation or accounting practice which has a retrospective effect;
- (c) a change in ownership of the Business after Completion; or
- (d) any change of any law, interpretation of law, generally accepted accounting practice or any administrative practice of any Government Agency after Completion, including any legislation or change which has a retrospective effect.

8.8 Further limitations

The Sellers are not liable for any Claim for breach of a Warranty (other than a Tax Warranty) or under an indemnity, and the Buyer must not make any Claim for breach of Warranty or under an indemnity (other than a Tax Claim), to the extent that:

- (a) the Claim is made good, offset (including as a result of expenditure being Tax deductible and giving rise to a Tax Saving) or fully compensated for by any other means to the Buyer or the Company;

- (b) a specific provision, allowance, reserve or accrual has been made (or otherwise taken account of or reflected) (including by way of net off) in the Accounts or Completion Statement for the fact, matter or circumstance on which the Claim is based (up to the amount of that provision, allowance, reserve or accrual) or is a matter that has been noted or otherwise taken into account in the Accounts or the Completion Statement;
- (c) the Claim arises out of or is increased as a result of any breach by the Buyer of this Agreement, or of any agreement entered into pursuant to this Agreement;
- (d) the Claim arises out of or is increased as a result of:
 - (i) the enactment or amendment of any legislation or generally accepted accounting practice (including legislation or accounting practice which has a retrospective effect announced after Completion);
 - (ii) any change of any law, interpretation of law, generally accepted accounting practice or any administrative practice or ruling of any Government Agency including any legislation or change which takes effect retrospectively, after Completion;
- (e) the matter giving rise to the Claim is remediable and, within 60 days after receiving written notice of the Claim in accordance with this Agreement, the Sellers remedy the matter to the satisfaction of the Buyer acting reasonably;
- (f) the Loss arises out of the cessation or change of the Business after Completion;
- (g) the Loss would not have arisen without a change in ownership of the Company, or a material restructure of the Business;
- (h) the Buyer or the Company makes, will make or has made a Tax Saving in relation to the matter giving rise to the Loss;
- (i) the Loss is Consequential Loss;
- (j) the Claim arises out of, or relates to, any forecast, opinion, estimate, model, budget, projection or any other statement relating to future events, in each case provided it is clearly identified as such;
- (k) the Claim arises out of, or is increased as a result of, any act or omission by or on behalf of the Sellers or the Company to which the Buyer has consented in writing; or
- (l) the Claim relates to a liability that is contingent, unless and until the liability becomes an actual liability and is due and payable.

8.9 Buyer's Acknowledgements

The Buyer acknowledges and agrees that:

- (a) it has inspected the Disclosure Material, which is in writing, and has conducted due diligence investigations of the Business and the Company;

- (b) the Sellers and their advisers make no express or implied representation or warranty, guarantee or assurance, as to future or forecast costs, revenues or profits;
- (c) to the maximum extent permitted by law, all conditions, warranties, representations and undertakings (express, implied, written, oral, collateral or otherwise), except the Warranties, are excluded; and
- (d) no representation, warranty, guarantee or assurance has been made in relation to the volume of business or revenue that the Buyer may receive after Completion.

8.10 Insurance and recovered amounts

- (a) The Sellers are not liable under a Claim for any Loss to the extent the Buyer or the Company recovers, or is compensated for by any other means, for such Loss from another source, whether by way of contract, indemnity or otherwise (including under a policy of insurance or from a Government Agency).
- (b) If the Buyer or the Company is entitled to recover, or be otherwise compensated for, any Loss from another source, the Buyer must use reasonable endeavours to recover or be compensated for that Loss, as soon as reasonably practicable, from that source, so as to reduce as far as reasonably possible the Loss that is the subject of any Claim against the Sellers.
- (c) If, after the Sellers have made a payment in respect of a Claim (**Damages Payment**), the Buyer or the Company recovers or is compensated by any other means for any Loss that gave rise to the Claim, and the amount so recovered together with the Damages Payment, exceeds the amount of the Buyer's actual Loss in respect of the matter which gave rise to the relevant Claim, the Buyer must immediately pay to the Sellers the lower of (i) the excess; and (ii) the Damages Payment as an increase to the Purchase Price, less all reasonable costs and expenses incurred by the Buyer. For the avoidance of doubt, any payment by the Buyer under this clause 8.10 will not reduce the amount of the Claim which is taken into account under clause 8.5(b).

8.11 No representation by Company

- (a) The Sellers acknowledge that the Company does not give any representation, warranty or guarantee about the accuracy of any information or opinion given by the Company or the Company's officers, Employees, agents or advisers to the Sellers or the Sellers' officers, employees, agents or advisers in connection with the Warranties, the Business, the affairs of the Company, or the negotiation and preparation of this Agreement.
- (b) The Sellers irrevocably waive any right or Claim that the Sellers may have against the Company or the Company's officers, Employees, agents or advisers for any error or misrepresentation in, or omission from, any information or opinion referred to in clause 8.11(a). This clause 8.11 is also for the benefit of, and may be enforced by, the Company and its officers, employees, agents and advisers under the *Contract and Commercial Law Act 2017*.

8.12 Reduction of the Purchase Price

Any payment received by the Buyer or the Company in respect of any Buyer Claim, as a result of any breach by the Sellers of any Warranty, under the Tax Indemnity or otherwise is a reduction and refund of the Purchase Price.

8.13 Independence

Each qualification and limitation in this clause 8 is to be construed independently of the others and is not limited by any other qualification or limitation.

8.14 Survival

This clause 8 remains in force and effect after Completion, according to its terms.

8.15 Mitigation

Nothing in this Agreement affects the principles of common law relating to mitigation of loss.

8.16 Company's Loss is the Buyer's Loss

Without limiting the amount which may be claimed by the Buyer, for the purposes of any Claim under this Agreement, a Loss will be deemed to be suffered or incurred by the Buyer to the extent that any such Loss is suffered or incurred by the Company. It will not be necessary for the Buyer to establish loss or damage to itself whether by way of diminution of the value of the Shares or otherwise, and, without limiting the amount which might be claimed by the Buyer, the amount of the Loss will be deemed to be at least equal to the Loss suffered or incurred by the Company.

8.17 Fraud or Wilful Non-Disclosure

Nothing in this Agreement will exclude or affect any right or remedy available to the Buyer in respect of fraud or wilful non-disclosure by a Seller or any person acting on behalf of, or on the direction or instruction of, a Seller.

9. Tax Indemnity

9.1 Tax Indemnity

Subject to any applicable limitation under this Agreement, the Sellers indemnify the Buyer from and against any Tax for which the Company is or becomes liable to pay (and whether the Company is primarily or jointly or severally liable), to the extent that the Tax:

- (a) relates to any period or part period ending on or before the Completion Date; or
- (b) would not have arisen but for breach of a Tax Warranty; and
- (c) the Sellers also indemnify the Buyer from and against any amount of Relief (multiplied by the relevant Tax rate, if applicable) of the Company or the Buyer that is attributable to a period after the Completion Date that is used to offset or eliminate an amount of Tax for which the Sellers are liable to indemnify the Buyer under any of subclauses (a) and (b) above.

9.2 Limitations

Without limiting any other provision of this Agreement, the Buyer will not be entitled to make any Tax Claim, and the Sellers will have no liability, in respect of any Tax liability to the extent that:

- (a) the Tax liability has been paid on or before Completion to the relevant Tax Authority;

- (b) provision or reserve for the amount of the Tax liability has been made in the Completion Statement;
- (c) the Tax liability would not have arisen but for the Company or the Buyer, without the prior written consent of the Sellers (such consent not to be unreasonably withheld or delayed), amending or requesting an amendment to any Tax return relating to any period prior to Completion except where such amendment is required to comply with applicable law;
- (d) the Tax liability would not have arisen, or would have been reduced or eliminated but for a failure by the Buyer or the Company after Completion to make a claim or election or to give any notice or consent the making or giving of which was notified by the Sellers in writing to the Buyer at least two Business Days prior to Completion and which is permitted by applicable law;
- (e) the Tax liability arises or is increased as a result of any voluntary change in accounting principles or in the treatment of any item for Tax purposes from the treatment of that specific item adopted by the Company in taking a tax position prior to Completion (except where such change is required by or to ensure compliance with applicable law) or as a result of the change of the Tax balance date of the Company after Completion;
- (f) the Tax liability arises as a result of any change in law, including any retrospective change or increase in rates of Tax, announced after the date of this Agreement;
- (g) the Tax liability arises in respect of an amount of income or an asset that was not taken into account in the Completion Statement and that income or the value of the asset exceeds the Tax liability in respect of that income or asset;
- (h) any Relief available to the Company in a period ending on or before Completion not taken into account in the Completion Statement is available to the Company to relieve or reduce the Tax liability;
- (i) the Buyer or the Company makes, will make or has made a Tax Saving after Completion in relation to the matters that give rise to the particular Tax liability;
- (j) the Buyer or the Company, without the prior written consent of the Sellers (such consent not to be unreasonably withheld or delayed), has made a payment or admission of liability in respect of a Tax Demand or other event or has failed to comply with their obligations under clause 9.3 and such non-compliance has caused the right to dispute the Tax liability to be lost;
- (k) the Tax liability would not have arisen but for:
 - (i) the sale of the Shares in accordance with this Agreement;
 - (ii) any change in ownership (including by reference to direct or indirect voting interests or market value interests) in the Company after Completion;
 - (iii) the elimination of any balances on any imputation credit accounts, or other Tax memorandum accounts required to be maintained by the Company as a result of the transfer of the Shares under this Agreement; or
 - (iv) the inability of the Company to carry forward Relief as a result of the sale of the Shares in accordance with this Agreement ; or

- (l) the Tax liability is or will be directly offset by a reduced liability for Tax of the same type, and arising in respect of the same matter, in a period after Completion.

9.3 Tax Demands and Other Events

- (a) If the Company receives a Tax Demand or becomes aware of any other event which may give rise to a Tax Claim:
- (i) the Buyer must give notice of that Tax Demand or other event to the Sellers in writing as soon as reasonably possible after receiving notice of the Tax Demand or otherwise becoming aware of the relevant event;
 - (ii) the Buyer must ensure that no payment (except to the extent required by law) or admission of liability in relation to the Tax Demand or other event is made or other steps are taken which may in any way prejudice any challenge to it or defence to that claim without the prior written consent of the Sellers (which will not be unreasonably withheld or delayed);
 - (iii) subject to the Sellers first agreeing that the Tax Indemnity applies to the matter, such that the Sellers will be liable to indemnify the Buyer against all Tax incurred by the Company in connection with the Tax Demand or other event, the Buyer permits the Sellers, in the name of the Company, and acting reasonably, to conduct all negotiations with the applicable Tax Authority in relation to the Tax Demand or other event and, in the case of a Tax Demand, to utilise all procedures and take all actions to defend, challenge, appeal or otherwise dispute the Tax Demand; and
 - (iv) the Buyer must procure that the Company gives access to its books, accounts, records and personnel as is reasonable to enable the Sellers or their professional advisers to deal with matters in relation to the Tax Demand or other event.
- (b) If the Buyer has previously received a payment under the Tax Indemnity in relation to the Tax Demand or other event and, following the Sellers exercising its powers under clause 9.3(a)(iii), the Company receives any Tax credit, refund or reimbursement of costs relating to the Tax Demand or other event, the Buyer or the Company will promptly pay to the Sellers (to the extent that it does not exceed that amount previously paid by the Sellers) an amount equal to the amount of that Tax credit, refund or costs together with any interest (net of Tax) which the Buyer or the Company has received from any Tax Authority on that portion of any such Tax credit or refund.
- (c) The Sellers shall meet all of their own out of pocket expenses incurred in relation to procedures contemplated by this clause 11.3 and promptly reimburse the Buyer for any reasonable out of pocket costs and expenses properly incurred by the Buyer or the Company in complying with this clause 11.3 on receipt of copies of the relevant invoices or other such evidence of incurrence of reasonable out of pocket costs or expenses by the Buyer or the Company.

9.4 Tax Returns

- (a) The Sellers will be entitled to prepare and file Tax returns and computations for the Company for all Tax periods ending on or prior to the Completion Date, provided that such returns must be filed in accordance with the Company's obligations under the relevant Tax Law. The Buyer shall procure that the Company cooperates with any reasonable requests from the Sellers to the

extent necessary to allow the Sellers to prepare such returns. The Buyer shall procure that the Company signs and files such returns prior to the applicable deadline.

- (b) The Buyer will arrange for the Company to prepare and file the Tax returns and Tax computations for the Tax period current at Completion (the **Straddle Returns**). The Buyer will promptly disclose to the Sellers and use its best endeavours to agree with the Sellers any variations in the information in the Straddle Returns that would give rise to any change in Tax liability from that shown in the Completion Statement. If there is any disagreement between the Sellers and the Buyer as to the content of any Straddle Returns, the Sellers will determine the form of that return for the period up to and including Completion and the Buyer will determine the content of the return for the period after Completion.

9.5 Indemnity is for net position

- (a) The Sellers' aggregate liability under the Tax Indemnity is limited to the net overall liability for Tax incurred, which arises in the circumstances referred to in clause 11.1.
- (b) If, during any period during which the Buyer is entitled to make any claim under the Tax Indemnity, the Company has reductions in its liability for Tax or increases in Relief with the result that it proves to have overpaid Tax prior to Completion or has over provided for Tax in the Completion Statement, any such reductions or increases will be taken into account in determining the net liability of the Sellers under the Tax Indemnity.
- (c) If any reduction in liability or increase in Relief referred to in clause 11.5(b) occurs before any increase in liability which would otherwise entitle the Buyer to claim under the Tax Indemnity, that Claim must be reduced by the amount of the reduction in liability or increase in Relief.
- (d) If the Sellers have paid any amounts under the Tax Indemnity and, by the end of the period referred to in clause 8.4(b), the Company has had reductions in its Tax liability or increases in Relief (which have not previously been taken into account in satisfying claims under the Tax Indemnity), the Buyer will repay the Sellers an amount equal to the lesser of:
 - (i) the aggregate of such reductions in liability and/or increases in Relief; and
 - (ii) the total amounts paid by the Sellers under the Tax Indemnity.

9.6 Timing of payment

Any payment the Sellers are liable to make under the Tax Indemnity or for breach of the Tax Warranties:

- (a) must, where the payment relates to a Tax liability, be made at least five Business Days before the last date on which payment may be made by the Buyer or the Company of the relevant liability to the relevant Tax Authority without incurring any liability to pay any penalty or interest; and
- (b) otherwise, must be paid to the Buyer within five Business Days following demand being made by the Buyer, provided that the Sellers are satisfied as to the basis on which the claim has been calculated in accordance with this clause 11.

9.7 Claims relating to Tax

No Buyer Claim may be made in respect of Tax, including a Claim for breach of any Tax Warranty, other than in accordance with the procedures and subject to the limitations in this clause 11.

10. Specific Indemnities

10.1 Chee Siong Yap Indemnity

The Sellers jointly and severally indemnify (and will keep indemnified) the Buyer from and against any Loss that the Company and/or the Buyer may suffer (in respect of any period up to and ending on the Completion Date) as a result of the Company's potential misclassification of Mr Chee Siong Yap as an independent contractor rather than an employee of the Company, including but not limited to Loss arising from:

- (a) any Claim brought by Mr Chee Siong Yap against the Company in respect of any unpaid minimum statutory entitlements (including, but not limited to, minimum wage entitlements, minimum holidays and leave entitlements, and superannuation entitlements);
- (b) any Claim in respect of unpaid Tax and associated penalties brought by a Government Agency against the Company arising from the Company's potential misclassification of Mr Chee Siong Yap as an independent contractor; and
- (c) any investigation by the Employment Relations Authority or any order of the Employment Court in relation to Company's potential misclassification of Mr Chee Siong Yap as an independent contractor.

10.2 COVID-19 Government Initiatives

The Sellers jointly and severally indemnify (and will keep indemnified) the Buyer from and against any Loss that the Company and/or the Buyer may suffer (in respect of any period after Completion), if the Company is required to repay a monetary COVID-19 related government support initiative whether as a result or outcome of the review of such matters being undertaken by the Ministry of Social Development at the time of signing of this agreement or otherwise.

11. Procedures for dealing with Claims

- (a) As soon as reasonably practicable after the Buyer receives any Third Party Claim that may give rise to a Buyer Claim against the Sellers (other than a Tax Claim), the Buyer must give written notice to the Sellers, setting out details of the Third Party Claim.
- (b) In respect of a Third Party Claim for which the Sellers have not accepted liability, the Buyer must not compromise or pay any Third Party Claim or admit liability in relation to any Third Party Claim or demand or agree to arbitrate, compromise or settle any Third Party Claim that may give rise to a Buyer Claim against the Sellers without the prior written approval of the Sellers (which must not be unreasonably withheld or delayed).
- (c) The Sellers indemnify the Buyer against any Third Party Claim or Loss which the Buyer pays, or is liable for, arising directly or indirectly from any actions taken by the Buyer in accordance with clause 11(b).

- (d) To avoid doubt, nothing in this clause 11, applies to Third Party Claims that may give rise to a Tax Claim (which have their own conduct of claims provisions within the tax indemnity at clause 9).

12. Competition

12.1 Definitions

In this clause 11(b):

engage means to directly or indirectly carry on, participate in, provide finance or services, or otherwise be directly or indirectly involved, engaged, concerned or interested in as a shareholder, unitholder, director, consultant, adviser, contractor, principal, agent, manager, employee, beneficiary, partner, associate, trustee or financier.

Prohibited Person means:

- (a) the Sellers;
- (b) any Associate of any Seller,

but does not include Sarah Bennett, Paul Clark (or any of their trusts), Pac Fire Holdings Pty Limited, Pac Fire Australia Pty Limited, Pac Fire New Zealand Limited or any Associate of those Persons.

Restraint Area means any area where the Buyer, or a Related Company of the Buyer, operates a business and, for the avoidance of doubt, includes anywhere in the world where the Company and/or the Business was operated prior to Completion.

Restraint Period means the period commencing on the Completion Date and ending on the fifth anniversary of the Completion Date.

12.2 Undertakings

For the purpose of assuring to the Buyer the full benefit of the Business, the Sellers undertake to the Buyer that, subject to clause 12.3, the Sellers will not, and the Sellers will procure that its Associates will not:

- (a) at any time use or disclose to any Third Party any Know How, trade secrets, product information or confidential information of the Business or the Company which is not generally known or available in the market place or which, but for a breach of this clause 12.2, would not be generally known or available in the market place; and
- (b) during the Restraint Period:
 - (i) **no competition or interest:** engage in (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in (whether as director, advisor, contractor, joint venturer, beneficiary, trustee, principal, agent, partner, consultant, employee, shareholder, unit holder or in any other capacity) any business which is the same or substantially similar to the whole or any part or parts of the Business in the Restraint Area;

- (ii) **customers:** induce, solicit or persuade, or attempt to induce, solicit or persuade any person or corporation which is a customer, intermediary or supplier of the Business, or who was in the 12 month period before the Completion Date a customer, intermediary or supplier of the Business, to cease doing business with the Buyer or the Company or reduce the amount of business which the customer, intermediary or supplier would normally do in respect of the Business;
- (iii) **business:** accept from a customer, intermediary or supplier referred to in clause 12.2(b)(iii) any business of the kind ordinarily forming part of the Business;
- (iv) **employees:** at any time induce or attempt to induce any person who is at the time of Completion (or who later becomes, an employee or contractor of the Company or any Related Company of the Company) working in the Business to terminate his or her employment or engagement with the Company or any Related Company of the Company;
- (v) **interfere:** interfere in any way with the relationship between the Business and its customers, employees, contractors and/or suppliers, or between the Business and any Government Agency; or
- (vi) **assist:** counsel, cause or otherwise assist any person to do any of the acts referred to in sub-clauses 12.2(b)(i) through to 12.2(b)(v).

12.3 Restraint Exceptions

Nothing in clause 12.2 restricts the Sellers from, either directly or indirectly:

- (a) holding or acquiring up to 5% of the issued ordinary shares in the capital of a listed company;
- (b) holding or acquiring up issued shares in the capital of Pac Fire Holdings Pty Limited or Pac Fire Australia Pty Limited;
- (c) providing services, other than services the same as or substantially similar to the Business, to any customer or supplier of the Company; or
- (d) undertaking any act that has been expressly consented to in writing by the Buyer.

12.4 Acknowledgments

The Sellers acknowledge that:

- (a) the prohibitions and restrictions contained in this clause 11(b) are material to the Buyer's decision to enter into this Agreement;
- (b) the prohibitions and restrictions contained in this clause 11(b) are reasonable in the circumstances as to the subject matter, area and duration and are necessary to protect the Business (including the goodwill of the Business);
- (c) damages are not an adequate remedy if the Sellers breach this clause 11(b);
- (d) the Buyer may apply for injunctive relief if:
 - (i) any Prohibited Person breaches or threatens to breach clause 11(b); or

- (ii) the Buyer believes a Prohibited Person is likely to breach clause 11(b);
- (e) any failure to comply with clause 11(b) would diminish the value of the Company and/or the Business; and
- (f) in relation to this Agreement and, in particular, to this clause 11(b), it has received legal advice.

12.5 Survival of Obligations

The Sellers' obligations under this clause 11(b) survive the Completion of this Agreement.

13. General

13.1 Notices

- (a) Unless expressly stated otherwise in this Agreement, any notice or communication (a **Notice**) given under this Agreement must be in legible writing and in English, signed by an authorised person of the sender and addressed to, the addressee.
- (b) Notices must be hand delivered or sent by email to the addressee's address for notices specified in the notice details in the Parties section of this Agreement, or as otherwise agreed in writing by the parties.
- (c) A Notice given in accordance with this clause takes effect when taken to be received (or at a later time specified in it), and is taken to be received:
 - (i) if hand delivered, on delivery; and
 - (ii) if sent by email, on the date and time the email is sent (as shown in a confirmation of the email generated by the sender's computer system which indicates that the email was sent to the email address of the recipient notified for the purpose of this clause and provided that the sender's computer system has not generated a record that the email has not been received),

but if the delivery, receipt or transmission is not on a Business Day, or is after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the next Business Day.

13.2 Governing law and jurisdiction

This Agreement is governed by the laws of New Zealand. The parties submit to the exclusive jurisdiction of its courts and courts of appeal from them. The parties will not object to the exercise of jurisdiction by those courts on any basis.

13.3 Prohibition or enforceability

Each provision of this Agreement is individually severable. If any provision of this Agreement is or becomes invalid or unenforceable, that provision will, subject to written agreement between the parties (acting reasonably), be modified to the minimum extent necessary to render that provision valid and enforceable. If the parties cannot agree to such modification, that provision will be deleted from this Agreement. The invalidity or unenforceability of that provision will not affect the other provisions of this Agreement, all of which will remain in full force and effect to the extent permitted by

law, subject to any modifications made necessary by the deletion of the invalid or unenforceable provision.

13.4 Waivers

A waiver of any right, power or remedy under this Agreement must be in writing signed by the party, or an authorised representative of the party, granting it. A waiver only affects the particular obligation or breach for which it is given. It is not an implied waiver of any other obligation or breach or an implied waiver of that obligation or breach on any other occasion.

The fact that a party fails to do, or delays in doing, something the party is entitled to do under this Agreement does not amount to a waiver.

13.5 Variation

A variation of any term of this Agreement, or a right or obligation created under it, must be in writing and signed by the Buyer and the Sellers' Representative.

13.6 Cumulative rights

The powers, rights and remedies of a party under this Agreement are in addition to and do not exclude any other power, right or remedy provided by law or otherwise.

13.7 Further assurances

Each party must, at its own cost, do all things reasonably necessary to give full effect to this Agreement and the transactions contemplated by it.

13.8 Entire agreement

This Agreement (together with the Disclosure Letter) records the entire understanding and agreement of the parties relating to the matters dealt with in this Agreement and supersedes all previous understandings or agreements (whether written, oral or both) relating to such matters.

13.9 Relationship

The parties acknowledge and agree that nothing in this Agreement will constitute one party the trustee of, partner of, employee of, agent of, or joint venturer with, the other and that, other than as expressly provided for in this Agreement, no party will have the right to bind the other without the other's prior written consent.

13.10 Third party rights

Unless this Agreement expressly provides otherwise, no person other than the parties has or is intended to have any right, power or remedy or derives or is intended to derive any benefit under this Agreement.

13.11 Counterparts

This Agreement may be executed in any number of counterparts which, read together, will constitute one instrument. A party may execute this Agreement by signing any counterpart. This Agreement is binding on the parties on exchange of counterparts. A copy of a counterpart that is electronically

scanned and emailed will be treated as an original counterpart, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original. The parties consent to using and being bound by their electronic signatures.

13.12 Non-merger

No provision of this Agreement merges on execution, completion or termination.

13.13 Effect of Termination

If this Agreement is terminated:

- (a) the provisions of this Agreement will cease to have effect (from the effective date of any such termination) except for the Surviving Provisions or any breach of this Agreement occurring before such termination; and
- (b) the Buyer must, if requested by the Sellers, return to the Sellers, or with the written consent of the Sellers destroy, the Records and all confidential information or other documents and materials obtained from the Sellers in respect of the Company which it has under its control or possession in accordance with the Confidentiality Agreement.

13.14 Continuing indemnities and survival of indemnities

Unless this Agreement expressly provides otherwise:

- (a) each indemnity in this Agreement survives the expiry or termination of this Agreement; and
- (b) a party may recover a payment under an indemnity in this Agreement before it makes the payment in respect of which the indemnity is given.

13.15 No assignment or novation

- (a) Subject to clause 13.15(b) below, a party may not assign or novate this Agreement or otherwise transfer or deal with the benefit of this Agreement or an obligation, right or remedy under it, without the prior written consent of the other parties which consent will not be unreasonably withheld or delayed.
- (b) The Buyer may assign, charge or grant a security interest over a right under this Agreement to:
 - (i) a secured financier providing financial accommodation to the Buyer in connection with the acquisition of the Shares; or
 - (ii) a security trustee or an agent of a financier in respect of facilities made or to be made available to the Buyer to finance or refinance an amount payable under this Agreement,

and if such a security is enforced, the financier, security trustee or agent may assign the benefit of the rights under this Agreement to any purchaser or assignee from the financier or security trustee or agent (or any receiver appointed by any of them) who acquires the Company or all or part of the Business. This clause is also for the benefit of, and enforceable by, the financier, security trustee, agent (or any receiver appointed by any of them) and Buyer or assignee referred to herein under the *Contract and Commercial Law Act 2017*.

13.16 Costs

Each party will bear its own legal and other costs and expenses relating directly or indirectly to the preparation of, and performance of its obligations under, this Agreement except as otherwise expressly provided in this Agreement.

13.17 Legal advice

Each party acknowledges that it has received legal advice in respect of this Agreement or has had the opportunity of receiving legal advice about this Agreement and has declined to make use of such opportunity.

13.18 Set-off

Except as otherwise expressly provided in this Agreement, neither party may set-off, withhold or deduct from any amounts owing, contemplated or otherwise payable under or in connection with this Agreement to the other party.

13.19 Confidentiality

- (a) Each party must keep and must procure that their Associates keep confidential the Confidential Information.
- (b) Notwithstanding the other provisions of this clause 13.19, either party may, after consultation with the other party whenever practicable, disclose Confidential Information if and to the extent:
 - (i) required by law;
 - (ii) required by any securities exchange on which either party's securities are listed or traded;
 - (iii) required by any Government Agency with relevant powers to which either party is subject or submits (whether or not the authority has the force of law);
 - (iv) required to vest the full benefit of this Agreement in that party or to enforce any of the rights of that party in this Agreement;
 - (v) required by its professional advisers, officers, employees, consultants, subcontractors or agents to provide their services (and subject always to any such disclosure being strictly limited to the purposes reasonably required by the proposed recipients and on condition that those recipients agree in writing to be bound by similar duties of confidentiality);
 - (vi) that information is in or has come into the public domain through no fault of that party;
 - (vii) the other party has given prior written consent to the disclosure; or
 - (viii) it is necessary to obtain any relevant tax clearances from any appropriate tax authority.
- (c) The provisions of this clause 13.19 will supersede and extinguish any other agreement between the parties relating to the subject matter of this clause 13.19, including the Confidentiality Agreement.

- (d) Clause 13.19, does not apply to the Sellers to the extent the Sellers (or Company) make a general announcement to employees of the Company, or to any supplier or customer, in relation to the existence or effect of this Agreement, and the names of the parties hereto, in each case in a form agreed with the Buyer in writing.
- (e) Nothing in this agreement limits the ability of the Buyer, after Completion, to disclose and use any Confidential Information, except to the extent that such information relates to:
 - (i) the terms of this agreement, including the Purchase Price; or
 - (ii) the Sellers.

13.20 Announcements

A party must not make or authorise a press release or public announcement relating to the negotiations of the parties or the subject matter or provisions of this Agreement unless:

- (a) it is required to be made by law or any securities exchange on which either party's securities are listed or traded and before it is made that party has:
 - (i) notified the other party/parties; and
 - (ii) given the other party/parties a reasonable opportunity to comment on the contents of, and the requirement for, such release or announcement; or
- (b) it has the prior written approval of the other party/parties.

13.21 Default interest

- (a) If a party fails to pay any amount payable under this Agreement on the due date for payment, that party must pay interest on the amount unpaid at the rate of 12 per cent per annum.
- (b) The interest payable under this Agreement:
 - (i) accrues from day to day from and including the due date for payment up to the actual date of payment (based, if applicable, on the interest rate for each such day), before and, as an additional and independent obligation, after any judgment or other thing into which the liability to pay the amount becomes merged; and
 - (ii) may be capitalised by the person to whom it is payable at monthly intervals.

13.22 Time of the essence

Time is of the essence in this Agreement, both as regards the times, dates and periods set out in this Agreement and times, dates and periods which, by agreement in writing between or on behalf of the Seller and the Buyer, are substituted for those set out in this Agreement.

Schedule 1 – Sellers, sale Shares and Sellers’ ownership percentages

#	Sellers	Column 1 Sellers’ details	Column 2 sale Shares	Column 3 Sellers’ ownership percentages
1.	Name	Pacific Safety International Limited	248,000	99.20%
	Notice details	315 Heads Road, Castlecliff, Whanganui, 4501, New Zealand Attention: David Bennett Email: david.bennett902@gmail.com		
2.	Name	David Bennett	1,000	0.40%
	Notice details	21 Sandcroft Drive, Westmere, Whanganui, 4501, New Zealand Email: David.Bennett@pacifichelmets.com		
3.	Name	Marion Bennett	1,000	0.40%
	Notice details	21 Sandcroft Drive, Westmere, Whanganui, 4501, New Zealand Email: Thetinyhouse7@gmail.com		
	Percentage of Shares sold			100%

Schedule 2 – Completion Steps

1. Pre-Completion actions

1.1 Notifications

At least five Business Days before Completion, the Buyer must notify the Sellers' Representative of the following matters:

- (a) any persons it wishes to be appointed as a director of the Company from Completion and deliver to the Sellers' Representative a consent to act signed by each such person;
- (b) any persons it wishes to have authorities to operate any bank accounts of the Company;
- (c) the address, if any, to which the registered office of the Company is to be changed following Completion; and
- (d) alterations, if any, to the constitution of the Company that the Buyer requires be made at Completion.

1.2 Board meeting

At Completion the Sellers must ensure that a meeting of the directors and shareholders (as necessary) of the Company is convened and conducts the following business:

- (a) approval of the registration of the Buyer as the holder of the Shares on the transfers of those Shares;
- (b) approval of the resignation of existing directors of the Company notified under paragraph 2.1(f) of this Schedule 2 and appointment of the nominees of the Buyer as directors of the Company; and
- (c) revocation of existing mandates and approve new mandates to operate the bank accounts in favour of the officers of the Company nominated by the Buyer, including the accounts to which the Buyer has access,

and that minutes or written resolutions from such meetings are provided to the Buyer at Completion.

2. Completion steps

2.1 Sellers' obligations at Completion

At Completion, the Sellers must give the following to the Buyer, or to such other party as the Buyer directs:

- (a) **transfers:** completed transfers of the Shares to the Buyer, executed by the Sellers and any consents which the Buyer reasonably requires to obtain registration of those transfers together with the relevant share certificates (if any) or a certificate from a director of the Company certifying that no share certificates have been issued;

- (b) **power of attorney:** a copy of any power of attorney or other authority under which the transfers of the Shares are executed;
- (c) **updated share register:** an updated share register recording the Buyer as the legal and beneficial owner of the Shares;
- (d) **corporate records:** access to all statutory, minute and other record books, share certificate books of the Company (if any) and all unused share certificate forms (if any);
- (e) **accounts and Records:** access to the ledgers, journals, books of account and Records of the Company;
- (f) **resignations:** the written resignations of the directors of the Company, in Agreed Form and acknowledging that they have no claim for fees, salary or other entitlements against the Company and that there is no agreement or arrangement under which the Company has or could have any obligation to them;
- (g) **properties:** all documents in the possession of the Company relating to or affecting the use of the Leased Premises and the Property Leases;
- (h) **release of security:** releases and discharges in Agreed Form (duly executed) of any Encumbrances over the Shares and any Company's assets (other than Permitted Encumbrances over such assets or the security interest granted by the Company in favour of Bank of New Zealand and supported by registered financing statement F96ZWB8ME2X54R63), together with an appropriate undertaking from the secured party to the Company or the Buyer (as the case may be) to register a financing change statement on the PPSR discharging the Shares and the relevant assets from its security interest within three Business Days after Completion;
- (i) **distribution agreement:** counterparts of the Distribution Agreement, duly executed by Pac Fire Australia Pty Limited and the Company;
- (j) **services agreement:** fully signed counterpart copies of the services agreement, in Agreed Form, duly executed by Pac Fire Australia Pty Limited, Pac Fire New Zealand Limited and Pacific Safety International Limited (as the service recipients) and the Company (as the service provider);
- (k) **trademark assignments:**
 - (i) the duly executed Australian Trade Marks Deed of Assignment; and
 - (ii) the duly executed Chinese Trade Mark Deed of Assignment;
- (l) **trademark licence agreement:** the duly executed Australian Trade Marks Licence Agreement;
- (m) **consents:** the lessor's consent under, or consent to waive the change of control clause, if any, contained in the Property Leases;
- (n) **asset sale agreement:** a fully signed copy of the asset sale agreement between Image Signs Limited (as the seller) and the Company (as the buyer), in Agreed Form, pursuant to which the Company agrees to purchase a certain commercial printer and related intellectual property from Image Signs Limited;

- (o) **employee transfer form:** a fully signed copy of the employment offer and acceptance letter, in Agreed Form, pursuant to which Christopher Plant agrees to accept a new offer of employment from the Company; and
- (p) **other things:** do all other things necessary or desirable to transfer the Shares, to complete any other transaction contemplated by this Agreement and to place the Buyer in effective control of the Company and the Business.

2.2 Buyer's obligations at Completion

Subject to the Sellers' performance of the obligations under paragraphs 1.2 and 2.1 of this Schedule, at Completion the Buyer must:

- (a) **transfers:** execute and deliver the transfers for the Shares to the Sellers' Representative;
- (b) **pay Completion payment:** pay the Initial Purchase Price in accordance with clause 3.2(a);
- (c) **consent to act:** deliver to the Company written consents to act from the persons nominated by the Buyer as the directors of the Company; and
- (d) **other things:** do all other things necessary or desirable to transfer the Shares, to complete any other transaction contemplated by this Agreement and to place the Buyer in effective control of the Company and the Business.

Schedule 3– Stocktake

1. Stocktake

1.1 Stocktake

- (a) The stocktake will be conducted as follows:
 - (i) the Buyer must give the Sellers not less than three Business Days' notice of the times and places at which the physical stocktake will be conducted; and
 - (ii) the representatives of the Sellers are entitled to attend to verify details recorded on the stock sheets of the Buyer). Such stocktake will be a full stocktake comprising a full count of all Inventory in the possession or control of the Buyer at the relevant date.
- (b) No later than 10 Business Days following Completion, the Buyer must prepare and deliver to the Sellers' Representative a draft Inventory report in accordance with this Schedule 3 (the **Draft Inventory Report**) which must separately identify each item of Inventory, including:
 - (i) the location;
 - (ii) the quantity of each item of Inventory at each location;
 - (iii) the cost and valuation of each item of Inventory in accordance with the valuation methodology set out in this Schedule 3; and
 - (iv) whether or not any item of Inventory is damaged or not in good working condition.

1.2 Access

The Buyer must procure that the Sellers (and any of their advisers, and, if an Independent Expert is subsequently appointed pursuant to paragraph 1.3 of this Schedule 3, the Independent Expert) are given reasonable access to:

- (a) those accounting records, documents and work papers in the Buyer's possession or control which relate to the preparation of the Draft Inventory Report; and
- (b) any relevant Employees of the Company to discuss the preparation of the Draft Inventory Report.

1.3 Dispute of Inventory Report

- (a) The Sellers' Representative may notify the Buyer within 10 Business Days after receipt of the Draft Inventory Report if the Sellers dispute the Draft Inventory Report including sufficient information as to why the Draft Inventory Report is incorrect, the adjustments that the Sellers propose to make the Draft Inventory Report, including the amount of such adjustments (**Seller Dispute Statement**). If no Seller Dispute Statement is given within the 10 Business Days period, or the Sellers' Representative agrees the Draft Inventory Report in writing, the Sellers confirm that they agree with the Draft Inventory Report and the Draft Inventory Report, will be deemed to be the Agreed Inventory Report and be final and binding on the parties.

- (b) If a Seller Dispute Statement is delivered by the Sellers' Representative pursuant to paragraph 1.3(a), the Buyer and the Sellers' Representative must, in good faith, seek to agree the Draft Inventory Report within 10 Business Days after the date of receipt of the Seller Dispute Statement from the Sellers' Representative. Failing agreement, any Seller or the Buyer may refer the matter in dispute to an Independent Expert for determination in accordance with paragraph 1.3(c) of this Schedule 3.
- (c) If a dispute in relation to the Draft Inventory Report is referred to an Independent Expert, the Independent Expert will be instructed to determine whether the Draft Inventory Report fairly represents the Company's Inventory as at the Completion Date and has been prepared in accordance with Schedule 3 and, if not, to make the necessary amendments to the Draft Inventory Report, within 10 Business Days of receipt of the submission(s) from the Buyer or any Seller in accordance with paragraph 1.3(d) of this Schedule 3.
- (d) Each party may make submissions to the Independent Expert within 10 Business Days of the appointment of the Independent Expert. A copy of any submission made must be given to each other party to this Agreement.
- (e) The Independent Expert will act as an expert, not an arbitrator.
- (f) The determination in writing of the Independent Expert will (in the absence of manifest error) be final and binding on the parties. The determination by the Independent Expert (as adjusted pursuant to this paragraph 1.3(f)) will be deemed the Agreed Inventory Report.
- (g) The costs of the Independent Expert must be borne half by the Buyer and half by the Seller.

2. General principles applicable to the stocktake

- (a) The stocktake procedures will be communicated to all people involved in the stock counts prior to the commencement of the stock counts.
- (b) Staff involved in the stock count at each particular location will have sufficient knowledge and expertise to identify and accurately count the Inventory on hand at the location. Such staff will be adequately supervised to ensure the stocktake procedures are being followed.
- (c) The stocktake will be a full count of all Inventory.
- (d) Inventory sheets or stock tags will be used to enable accurate recording of Inventory. The sheets or tags will clearly identify:
 - (i) the location of the item;
 - (ii) the quantity and description of the item;
 - (iii) the stock code;
 - (iv) the unit of measure; and
 - (v) be signed by the counter.
- (e) Each Inventory item will be tagged once counted to avoid duplicate counting or missing items.

- (f) All outbound deliveries to be made prior to Completion will have either been made or stored separately so as to be excluded from the stocktake. All Inventory or Plant and Equipment that is stored in any vans or other vehicles of the Business, which is not being goods in transit to a Customer of the Business for which an invoice has been issued pursuant to a Business contract, will be accounted for on the basis of the Sellers' estimate of the normal quantity of such goods.
- (g) All inbound deliveries prior to Completion will be receipted and stored so as to be included in the stocktake.
- (h) All inbound deliveries after Completion will be separately stored so as to be excluded from the stocktake.
- (i) Work-in-progress at Completion must be processed to an appropriate cut-off point to enable meaningful verification by way of sample checking.
- (j) Production will cease during the stock count and will not recommence until the stocktake co-ordinator for each party at each location is satisfied that the stocktake is complete.
- (k) All Inventory held on consignment for Third Parties will be clearly marked "Consignment Inventory" and excluded from the stocktake.
- (l) These procedures will not apply to Inventory held on consignment on behalf of the Buyer at Image Signs, Axiam Plastics and Venari (**Offshore Consignment Holders**). The Offshore Consignment Holders will provide a confirmation e-mail or letter of consignment stock quantities.
- (m) Where quantities of Inventory are required to be estimated, a consistent method of estimation will be used across all locations and assessed by the Buyer's representative and the Sellers' Representative.

Schedule 4– Completion Statement

1. Preparation of Completion Statement

1.1 Preparation of Completion Statement

Within 40 Business Days after the Completion Date, the Buyer must (in consultation with the Sellers' Representative):

- (a) prepare a draft Completion Statement as at the Completion Date in accordance with paragraph 3 of this Schedule 4 (**Draft Completion Statement**); and
- (b) deliver the Draft Completion Statement to the Sellers' Representative.

1.2 Party's access

The Buyer must procure that the Sellers (and any of their advisers, and, if an Independent Expert is subsequently appointed pursuant to paragraph 1.3 of this Schedule 4, the Independent Expert) is given reasonable access to:

- (a) those accounting records, documents and work papers in the Buyer's possession or control which relate to the preparation of the Draft Completion Statement; and
- (b) any relevant employees of the Company to discuss the preparation of the Draft Completion Statement.

1.3 Agreement of Completion Statement

- (a) The Sellers' Representative may (on behalf of any Seller) notify the Buyer and all other Sellers within 20 Business Days after receipt of the Draft Completion Statement if any Seller disputes the Draft Completion Statement including sufficient information as to why the Draft Completion Statement is incorrect, the adjustments that the relevant Seller proposes to make to the Draft Completion Statement, including the amount of such adjustments (**Seller Dispute Statement**). If no Seller Dispute Statement is given within the 20 Business Days period, or the Sellers' Representative agrees the Draft Completion Statement in writing, the Sellers agree that the Draft Completion Statement will be deemed to be the agreed completion statement (**Agreed Completion Statement**) and be final and binding on the parties.
- (b) If a Seller Dispute Statement is delivered by the Sellers' Representative pursuant to paragraph 1.3(a), the relevant Seller and the Buyer must, in good faith, seek to agree the Draft Completion Statement within 20 Business Days after the date of receipt of the Seller Dispute Statement by the Buyer. Failing agreement, either the Buyer or the relevant Seller may refer the matter in dispute to an Independent Expert for determination in accordance with paragraph 1.3(c) of this Schedule 4.
- (c) If a dispute in relation to the Draft Completion Statement is referred to an Independent Expert, the Independent Expert must be instructed to determine whether the Draft Completion Statement represents the Company's financial position as at the Completion Date and whether it has been prepared in accordance with this Schedule 4, and, if not, to make the necessary amendments to the Draft Completion Statement, within 20 Business Days of receipt of the

submission(s) from the Sellers or the Buyer in accordance with paragraph 1.3(d) of this Schedule 4.

- (d) Each of the Sellers and/or the Buyer may make submissions to the Independent Expert within 10 Business Days of the appointment of the Independent Expert. A copy of any submission made must be given to each other party to this Agreement.
- (e) The Independent Expert will act as an expert, not an arbitrator.
- (f) The determination in writing of the Independent Expert will (in the absence of manifest error) be final and binding on the parties and be deemed the Agreed Completion Statement.
- (g) The costs of the Independent Expert must be borne half by the Sellers and half by the Buyer.

2. General principles applicable to the Completion Statement

2.1 General principles

The Completion Statement will be prepared in accordance with the following order of precedence:

- (a) the specific principles, policies and procedures in paragraphs 1 and 2.2 of this Schedule 4;
- (b) where an item is not covered by the specific principles, policies and procedures in paragraphs 1 and 2.2 of this Schedule 4, in a matter consistent with the principles, policies and procedures (including in respect of the exercise of management judgment) used to prepare the Accounts; and
- (c) where an item is not covered by principles referred to in paragraphs 1 and 2.2 of this Schedule 4, in accordance with the Accounting Standards.

2.2 Accounting Policies

- (a) Inventory will be the amount set out in the Agreed Inventory Report; and
- (b) The Completion Statement will be prepared using the historical accounting policies of the Company used to prepare the Management Accounts.
- (c) An accrual will be included for the estimated Research and Development Tax Incentive (RDTI) due to the Company of \$105,430 in relation to the FY23 income tax year (**RDTI Receivable**).
- (d) Any balances included within GL account code 90.6183 (Fixed Asset – WIP) relating to invoices paid by the Company which can be on-charged to the landlord of 315 Heads Road will be included within “Other debtors”.

3. Form of Completion Statement

FORM OF WORKING CAPITAL STATEMENT

	Treatment	Amount (\$)
Trade debtors	(+)	
Prepayments and accrued income	(+)	
Other debtors	(+)	
Inventory	(+)	
RDTI Receivable	(+)	\$105,430
Trade creditors	(-)	
Accrued and unpaid Taxes (including any debit balance in the Company's imputation credit account at Completion)	(-)	
Accruals and deferred income	(-)	
Other provisions	(-)	
Other creditors	(-)	

**Actual Working Capital
Amount**

Schedule 5 – Warranties

1. Seller's authority

1.1 No legal impediment

The execution, delivery and performance by each Seller of this Agreement complies with:

- (a) each law, regulation, Authorisation, ruling, judgement, order or decree of any Government Agency or other regulatory or legislative body;
- (b) the constitution or other constituent documents of the Company and any Seller that is a company(as applicable); and
- (c) any security interest or document which is binding on the relevant Seller in relation to the Shares held by that Seller.

1.2 Power to sell

Each Seller has the power to enter into this Agreement and perform its obligations under it and can do so without the consent of any other person and free of any option, pre-emptive rights or rights of first or last refusal.

1.3 No breach

The signing and delivery of this Agreement and the performance by each Seller of its obligations under it complies with:

- (a) any applicable law and Authorisation;
- (b) statutory, contractual and other fiduciary obligations to which that Seller is subject; and
- (c) a security interest or document binding on the Seller, in relation to the Shares held by that Seller.

1.4 Agreement enforceable and binding on the Seller

This Agreement constitutes legal, valid and binding obligations of each Seller enforceable by appropriate legal remedy.

1.5 Liquidation / winding up

- (a) Where a Seller is a company, that Seller:
 - (i) has not had a liquidator or provisional liquidator appointed;
 - (ii) has not passed any resolution that it be wound up and no application for any winding up has been made; and
 - (iii) has not been served with a letter of demand which has not been satisfied in full or has not been fully set aside.

- (b) Where a Seller is an individual, that Seller:
- (i) is not insolvent or unable to pay its debts when they fall due;
 - (ii) has not committed an act of bankruptcy or been adjudicated bankrupt; and
 - (iii) has not applied for, and is not subject to, any composition, assignment of property, proposal, summary instalment order or no asset procedure under any law relating to bankruptcy including the *Insolvency Act 2006*.

2. Shares, capital and debt

2.1 Title

Each Seller is the legal and beneficial owner of the Shares set alongside its name in Schedule 1 which are free of all Encumbrances, and on Completion, the Buyer will obtain full legal and beneficial ownership of the Shares sold by each Seller under this Agreement, free of all Encumbrances.

2.2 Issued capital

The Shares are all the issued shares in the capital of the Company.

2.3 Capital

- (a) The capital of the Company is divided into 250,000 ordinary shares and held by each Seller in the proportions set alongside its name in Schedule 1.
- (b) At Completion, there are no outstanding options, agreements, calls, rights of first or last refusal, commitments, rights or demands of any kind relating to the issued or unissued capital of the Company.
- (c) There is no restriction on the ability of the Company to register a transfer of the Shares.

2.4 Fully paid

The Shares have been validly issued, are fully paid and no money is owing in respect of them.

2.5 Issue of other securities

The Company is not under any obligation to issue or allot any shares or other securities and has not granted any person the right to call for the issue or allotment of any shares or other securities of the Company at any time.

2.6 Debt

The Estimated Debt on Completion shall be equal to actual amount of Debt on the Completion Date.

3. Company

3.1 Corporate existence

The Company:

- (a) is duly incorporated, and validly exists, under the laws of its place of incorporation;
- (b) has the power to lease and operate the Leased Premises, own its assets and carry on its Business as it is now being conducted; and
- (c) has the capacity to sue and be sued in its own name.

3.2 Compliance with constituent documents

The business affairs of the Company have been conducted in accordance with the constitution or constituent documents of the Company in all material respects.

3.3 Shareholding

The Company is not the holder or the beneficial owner of any shares or other capital or securities convertible into shares or other capital in any company.

3.4 Joint ventures, partnerships and other bodies

The Company is not a member of a joint venture, partnership or unincorporated body.

3.5 Liquidation / winding up

- (a) The Company has not had a liquidator or provisional liquidator appointed.
- (b) The Company has not passed any resolution that it be wound up and no application for any winding up has been made.
- (c) The Company has not been served with a letter of demand which has not been satisfied in full or has not been fully set aside.

3.6 Judgments and execution

There are no unsatisfied judgments or awards outstanding against the Company and no execution, distress or similar process has been levied on or against all or any part of the Company's business, assets or revenues.

3.7 Schemes of arrangement

The Company has not entered into any scheme of arrangement, composition, assignment for the benefit of, or other arrangement with its creditors or any class of creditors.

3.8 Receivers / managers etc

No receiver, receiver and manager, trustee, controller, official manager or similar officer has been appointed over all or part of the Company's business, assets or revenues and no event or circumstance has arisen or is persisting which entitles, or could entitle, any person to make any such appointment.

3.9 Administrator

No administrator has been appointed to the Company and no application has been made to a court for, and no resolution is proposed for, and no other step is taken in anticipation of, the appointment of an administrator to the Company.

3.10 Solvency

The Company is able to pay its debts as and when they fall due.

3.11 Striking off

The Company has not been struck off the register of companies or dissolved.

4. Accuracy of information

4.1 Information accurate

All information given by or on behalf of the Sellers or their advisers to the Buyer or its advisers in respect of the sale of the Shares, including the information contained in the Disclosure Materials, is accurate and complete in all material respects and not misleading in any material respect.

4.2 Material information disclosed

The Seller has disclosed all material information which, in the Sellers' view, a prospective buyer in the Buyer's position would reasonably require for the purpose of making a decision whether to acquire the Shares or on what terms to do so.

4.3 No Material Circumstances Omitted: The Sellers are not aware of any material circumstances which have not been disclosed in the Disclosure Materials and which might reasonably be expected materially and adversely to affect the Company, the financial position of the Company, the Business or the Company's ability to continue to achieve the level of profitability disclosed by the Accounts or which might otherwise be material to the Buyer**5. Accounts**

5.1 Basis of preparation of the Accounts

The Accounts (insofar as they relate to the Company):

- (a) in all material respects, give a true and fair view of:
 - (i) the financial position and state of affairs of the Company as at the Accounts Date; and
 - (ii) the financial performance of the Company for the period ended on the Accounts Date;
- (b) were prepared in accordance with:
 - (i) the Accounting Standards and comply with them; and
 - (ii) the same accounting principles, policies, practices and procedures (and method of application of them) as were applied in the corresponding accounts for the previous 12 months;

- (c) are not affected by any unusual, abnormal, extraordinary, exceptional or non-recurring items;
- (d) include all reserves and provisions for taxation that are necessary to cover all Tax liabilities of the Company as at the Accounts Date; and
- (e) include all reserves and provisions for all liabilities, including employee liabilities (including contingent and disputed liabilities) and all capital commitments of the Company as at the Accounts Date, indicate clearly which of those liabilities are not usually provided for or reserved and make proper provision of reserve for all bad and doubtful debts.

5.2 Basis of preparation of the Management Accounts

The Management Accounts:

- (a) show a materially accurate view of:
 - (i) the financial position and state of affairs of the Company as at the date to which they have been prepared; and
 - (ii) the financial performance of the Company for the period in respect of which they have been prepared;
- (b) were prepared in accordance with the same accounting policies as were applied in the preparation of the management accounts of the Company in the previous 12 months;
- (c) are not affected by any unusual, abnormal, extraordinary, exceptional or non-recurring items;
- (d) include all reserves and provisions for taxation that are necessary to cover all Tax liabilities of the Business as at the relevant preparation date; and
- (e) include all reserves and provisions for all liabilities, including employee liabilities (including contingent and disputed liabilities) and all capital commitments of the Business as at the Accounts Date, indicate clearly which of those liabilities are not usually provided for or reserved and make proper provision of reserve for all bad and doubtful debts.

6. *Position since Accounts Date*

Since the Accounts Date:

- (a) the Company has conducted its business in the ordinary course of business;
- (b) the Business has been conducted in a proper and efficient manner;
- (c) the Company has not disposed of any of its assets, except in the ordinary course of business;
- (d) the Company has not acquired any assets, except in the ordinary course of business;
- (e) the Company has not given any guarantees, indemnities or letters of comfort in respect of the obligations of any person except in the ordinary course of business;
- (f) the Company has not incurred any liabilities (including any contingent liabilities) other than in the ordinary course of ordinary business;

- (g) there has been no material adverse change affecting the Company, the Business, the assets of the Company, or the financial or trading position or prospects of the Company or the Business;
- (h) the Company has not issued any shares or securities convertible into Shares;
- (i) except in the ordinary course of the business, the Company has not borrowed money or otherwise obtained financial assistance;
- (j) the Company has not paid or agreed to pay any retiring allowance, KiwiSaver contributions above the statutory required amount or other benefit to any of its officers or Employees;
- (k) the Company has not entered into or altered any contract of service with any officers, Employees in any material respect;
- (l) no loans have been made nor bonuses paid by the Company to officers, nor have any advances or loan money been accepted from any officers;
- (m) no resolutions have been passed by the members or directors of the Company except in the ordinary course of business and those necessary to give effect to this Agreement;
- (n) the Company has not implemented any new accounting or valuation method for the Business or its assets or liabilities;
- (o) no major supplier of the Company has:
 - (i) reduced the level of its supplies to the Company in any material respect;
 - (ii) indicated an intention to cease or reduce the volume of its trading in any material respect with the Company; or
 - (iii) materially altered the terms on which it trades with the Company;
- (p) no major customer of the Company has:
 - (i) reduced the level of its custom with the Company in any material respect;
 - (ii) indicated an intention to cease or reduce the volume of its trading in any material respect with the Company; or
 - (iii) materially altered the terms on which it trades with the Company;
- (q) there have been no unusual increases or decreases in Inventory levels or Inventory prices used by or in connection with the Company;
- (r) there have been no material increases or decreases in the levels of debtors or creditors of the Business or in the average collection or payment periods for debtors and creditors respectively; and
- (s) no dividends, bonus issues or other distributions, or repayments of Shareholder Loans have been declared, made or paid by the Company.

7. Business contracts

7.1 Material contracts

All material agreements, commitments or arrangements of any nature whatsoever to which the Company is or will, on Completion, be a party to:

- (a) have been disclosed to the Buyer in writing and form part of the Disclosure Materials;
- (b) are valid and binding in accordance with its terms; and
- (c) have not been terminated, replaced, altered, varied or supplemented in any material respect.

7.2 No breach of contract

So far as the Sellers are aware, the Company is not in material breach of any material contract, commitment or arrangement to which it is a party and there are no circumstances likely to give rise to such a breach.

7.3 No notice

No party to any material contract, agreement or arrangement with the Company has given written notice of its intention to terminate, cancel, substantially amend, or that it will fail to renew, any such material contract, agreement or arrangement for any reason whatsoever.

7.4 Confidential information

The Company has not disclosed to any person, other than the Buyer, any of its secret or confidential information or property, or any other information relating to its business or affairs, the disclosure of which will cause material loss or damage to, or have a material adverse effect on, the Business.

7.5 Arrangements with Associates

The Company is not, and has never been, a party to any agreement, arrangement or understanding (whether enforceable or not) with any Associate other than trading arrangements in the ordinary course of business entered into on arm's length terms.

7.6 No restrictive covenants

The Company is not a party to any agreement which restricts its freedom to engage in any activity or business in any area.

8. Financing arrangements

8.1 Financings

There are no financing agreements or arrangements, letters of comfort or undertakings or representations, debentures, bonds, notes or similar debt instruments issued by or in relation to the Company and no guarantees, indemnities, letters of support or letters of comfort or other forms of collateral support given by the Company, or to which the Company is otherwise subject which have not been fairly disclosed in the Disclosure Material.

8.2 Bank accounts

Material details of all bank accounts used by the Company have been disclosed in the Disclosure Material.

8.3 Outstanding accounts

There is no money owing to the Company by any of the Sellers or any Associate of the Seller or by any trust or person controlled by or Associate of the Seller.

9. Outstanding offers, notes and delegations

9.1 Offers outstanding

- (a) Any offer, tender or quotation made by the Company which, as at Completion, is outstanding and capable of acceptance by a Third Party was made in the ordinary course of business.
- (b) No offer, tender, quotation or the like given or made by the Company is capable of giving rise to an agreement merely by any unilateral act of a Third Party, other than in the ordinary course of business.

9.2 Powers of attorney

The Company has not given any power of attorney which is, at the date of this Agreement or at Completion, in force.

10. Assets

- 10.1 The Company owns, or has sufficient lease or use rights over, all assets it requires to operate the Business as at Completion.
- 10.2 At Completion, the assets of the Company will be free from all Encumbrances other than Permitted Encumbrances.
- 10.3 At Completion, all of the assets required by the Company to operate the Business are located on the Leased Premises or is otherwise under the control of the Company.

11. Inventory

11.1 Inventory

All Inventory is:

- (a) of good merchantable quality, is fit for the purpose for which it is intended to be used and complies with any relevant statutory requirements; and
- (b) manufactured to proper standards.

11.2 Inventory levels

- (a) The level of Inventory is sufficient to meet the requirements of the Business and is not surplus to those requirements, except to the extent it is recognised as surplus in any Completion stocktake.

- (b) The level of Inventory which is obsolete or slow moving does not exceed that as at the last balance date of the Company.

12. Leased Premises

- 12.1 The particulars of the Leased Premises set out in the Disclosure Material are true and complete in all material respects.
- 12.2 Details of all material documentation pursuant to which the Leased Premises are used or occupied by the Company have been provided to the Buyer in writing and there are no other documents, correspondence or other material which has not been provided to the Buyer which affects the interests of the Company in the Leased Premises.
- 12.3 The Leased Premises are the only land and buildings used or occupied by the Company in connection with the Business.
- 12.4 The Company does not own any freehold property.
- 12.5 Each of the Leased Premises is accessible by the Company, for the purposes of the Business on a full and unrestricted basis and, without prejudice to the generality of the foregoing, is not subject to any sub-lease.
- 12.6 To the best of the Sellers' knowledge, each of the Leased Premises, and the present uses of the Leased Premises, complies with any operative or proposed regional or district plan and with all applicable resource consents, building consents and other applicable statutory, local body and other regulations and requirements.
- 12.7 There are no:
- (a) outstanding disputes or complaints relating to any of the Leased Premises which are likely to affect the present or any other proposed use or enjoyment of that Leased Premises by the Company in any material respect;
 - (b) notices, orders, requisitions or applications which have been served on the Sellers or the Company, or brought to the attention of the Sellers or the Company, by any landlord or tenant or governmental, local or other regulatory authority, body or official having competent jurisdiction, which affect or are likely to affect any of the Leased Premises directly or indirectly in any material respect;
 - (c) covenants, restrictions, stipulations or conditions affecting any Leased Premises which are of an unusual or onerous nature or which adversely affect the present, or any proposed, use of any of the Leased Premises;
 - (d) third party rights, easements, quasi easements or privileges affecting any of the Leased Premises which are of an unusual or onerous nature or which adversely affect either the value, or the present, or any other proposed, use of any of the Leased Premises;
 - (e) structural or other material defects in or affecting the buildings (which, for the purpose of this paragraph, will include the heating, ventilating, plumbing, drainage, telecommunications, data transmission and electrical and air conditioning systems) or other structures on any of the Leased Premises and all such buildings and structures are in good and substantial working order and repair; or

- (f) amounts outstanding in respect of any of the Leased Premises to any landlord, governmental, local or other regulatory authority, body or official having competent jurisdiction in relation to any of the Leased Premises.
- 12.8 Neither the Company nor any of the Sellers has received any notice of any requirement for a designation under the Resource Management Act 1991 or any notice under section 18 or section 23 of the Public Works Act 1981 that any of the Leased Premises is subject to or affected by any proposals for road widening or any other public work and to the best of the Sellers' knowledge there are no such notices pending.

13. Compliance with Environmental Law

13.1 For the purposes of this Warranty 13:

- (a) **Contaminant** has the meaning set out in section 2 of the Resource Management Act 1991;
- (b) **Environmental Permit** means any licence, certificate, authorisation, consent, approval or other permit required by any Environmental Requirement; and
- (c) **Environmental Requirement** means any law concerning the "environment" (as that term is defined in section 2 of the Resource Management Act 1991) and includes the Resource Management Act 1991 and the Hazardous Substances and New Organisms Act 1996, the common law, bylaws and any judgments, decisions, notices, orders, consents, agreements or awards by any court or regulatory authority;

13.2 The Company holds all necessary Environmental Permits in respect of the Leased Properties it occupies.

13.3 Compliance:

- (a) the Company is and, in the 3 years prior to the date of this Agreement has been; and
- (b) to the best of the Sellers' knowledge, all other persons to the extent that such persons have from time to time owned, leased, occupied or conducted operations on the Leased Premises, are and have been,

in compliance with:

- (i) all Environmental Requirements; and
- (ii) any and all Environmental Permits.

13.4 No Proceedings:

- (a) there is not and has never been pending or threatened against the Company; and
- (b) to the best of the Sellers' knowledge, there is not and has never been pending or threatened against any other person to the extent that such other person has owned, leased, occupied or conducted operations on any of the Leased Premises,

any legal proceedings based on or related to an Environmental Permit or an Environmental Requirement.

13.5 Neither:

- (a) the Company; nor
- (b) to the best of the Sellers' knowledge, any other person to the extent that such other person from time to time has owned, leased, occupied or conducted operations on any of the Leased Properties,

has ever received from any person any notice of, nor has any knowledge of, any past, present or anticipated events (including any discharge or spillage), conditions, circumstances, activities, practices, incidents, actions, agreements or plans that could:

- (i) interfere with, prevent, or increase the costs of compliance or continued compliance with any Environmental Permit or Environmental Requirement;
- (ii) make more stringent any restriction, limitation, requirement or condition under any law relating to the environment, any Environmental Permit or any Environmental Requirement in connection with the operations of any of the Leased Premises; or
- (iii) give rise to any Loss, or form the basis of any proceeding involving any of the Leased Premises, the Company or the Sellers, based on or related to an Environmental Permit, Environmental Requirement or law relating to the release or threatened release of Contaminants or Hazardous Substances into the environment or to the presence, manufacture, generation, refining, processing, distribution use, sale, treatment, recycling, receipt, storage, disposal, transport, handling, emission or discharge of any Contaminants, Hazardous Substances or other toxic substances.

14. Employees

14.1 Employee details

- (a) The Disclosure Materials identify all the Employees as at the date of this Agreement.
- (b) The Disclosure Material contains full and correct details of all material:
 - (i) employment conditions relating to all Employees; and
 - (ii) details of all agreements with Employees current at the date of this Agreement.
- (c) The Company has complied with and continues to comply with all material obligations arising under law, individual and collective employment agreements and independent contractor agreements (including occupational health and safety, annual leave, long service leave, equal opportunity, anti-discrimination, Tax, KiwiSaver obligations, accident compensation and industrial laws), or any other instrument made or approved under any law with respect to its past and present employees and contractors.

14.2 Since the Accounts Date, the Company has not (other than in the ordinary course of business):

- (a) paid to, or for the benefit of, any Employee any remuneration, allowances, benefits, superannuation contributions or payments of any kind whatsoever; or
- (b) agreed to make any such payment or to make alterations in the conditions of employment of any Employee.

- 14.3 The Company has properly maintained wage and time records, accident compensation claims history, copies of all employment agreements and other records detailing the length of service, accumulated benefits and entitlements and other relevant conditions of employment of each Employee.

14.4 Industrial disputes

The Company is not involved in any actual or threatened employment, labour or personal grievance dispute, wrongful dismissal claim or employment relationship problem, or any other dispute with:

- (a) any Employee;
- (b) any former employee;
- (c) any representative of any Employee or former employee or organisation or body of Employees (including any union);
- (d) any Contractor; or
- (e) any former Contractor.

So far as the Sellers are aware, no event has occurred which might give rise to any such dispute or claim.

14.5 Contractors

- (a) The Disclosure Materials identify all the contractors engaged by the Company as at the date of this Agreement.
- (b) No contractor or former contractor engaged by the Company has been misclassified as an independent contractor, instead of an employee of the Company, and no contractor or former contractor has challenged their status as an independent contractor.

14.6 No Judgment or Award

The Company is not:

- (a) subject to, or in breach of, any order, judgment or award given or made by the Employment Relations Authority, Employment Court, Court of Appeal or Supreme Court or other competent body; or
- (b) a party to any undertaking or assurance given to the Employment Relations Authority, Employment Court, Court of Appeal or Supreme Court or other competent body.

14.7 Health and Safety

The Sellers are not aware, in relation to health and safety, of any current, pending or threatened:

- (a) enforceable undertaking provided by the Sellers or the Company;
- (b) notice issued by WorkSafe New Zealand including but not limited to:
 - (i) an improvement notice;
 - (ii) a provisional improvement notice;

- (iii) a non-disturbance notice;
- (iv) a prohibition notice;
- (v) a suspension notice; and/or
- (vi) an infringement notice;
- (c) investigation;
- (d) prosecution;
- (e) other enforcement action of any kind;
- (f) health and safety breaches of any kind,

under the Health and Safety at Work Act 2015 in relation to the Sellers or the Company.

14.8 No Long Service Leave Liabilities

The Company is under no liability to any person in respect of long service leave or in respect of accrued annual leave that has accrued beyond the year in which the person first became entitled to it, except to the extent provided for in the Accounts.

14.9 No Incentive Scheme

No Employee or director of the Company is entitled to any interest under any:

- (a) arrangement entitling that Employee or Director to a bonus of any kind; or
- (b) share option scheme or other scheme entitling that Employee or director to a share (whether actual or contingent) in the profits of the Company; or
- (c) arrangement entitling that Employee or Director to remuneration contingent upon the performance of the Business.

14.10 Covid subsidies

The Company has, at all times, complied with the terms of any Covid-19 government subsidy or support used in relation to its Employees or support paid to it including correctly calculating the amount of subsidy or support for which it has applied.

14.11 Superannuation

Other than as required to comply with the KiwiSaver Act 2006, the Company is not under any legal liability to pay, any pension, retirement, death or disability or other similar payment to any of the Employees, their families or dependants and no such pension or payment is now being or has been paid voluntarily.

15. Intellectual Property Rights

15.1 Ownership and right to use

- (a) The Company legally and beneficially owns, or will on Completion, own or have the right to use all Intellectual Property Rights used or employed by the Company in the Business or developed, upgraded or modified by any person for or on behalf of, the Business and all Intellectual Property Rights are valid and subsisting.
- (b) So far as the Sellers are aware, no person is infringing or making unauthorised use of any Business Intellectual Property.
- (c) No person, other than the Company, will from Completion have any right to use, or interest in, or may benefit from, any Business Intellectual Property.

15.2 No infringement

The conduct of the Business, and the use of the Business Intellectual Property and the Third Party Intellectual Property, by the Company, does not breach or infringe any Intellectual Property Rights, rights of confidentiality or moral rights of any third party.

15.3 No termination

No Intellectual Property Rights used in the conduct of the Business or used by the Company may be terminated or subjected to terms less favourable to the Buyer or the Company by reason of the change in ownership or control of the Company.

15.4 No fees payable

As at Completion, there are no royalties, licence fees or other similar fees payable by the Company in connection with the use of any Intellectual Property Rights by the Company.

15.5 No claims

As at the date of this Agreement, no oppositions, cancellation actions, proceedings, claims or complaints have been brought or threatened by any Third Party in relation to the Business Intellectual Property.

15.6 Business names

- (a) The Company does not carry on business under any name other than its corporate name or the business names disclosed in the Disclosure Material.
- (b) All registrations of any business names used by the Company are in the name of the Company and are current.

16. Information technology

16.1 Domain names

The domain names www.nzhelmets.nz, www.nzhelmetsshop.nz and www.pacifichelmets.com are all the domain names used in the Business. The Company holds domain name licences for each domain name set out in this paragraph 16.1 of Schedule 5

16.2 Systems

The Systems:

- (a) comprise all the information technology and telecommunications systems, hardware and software necessary for the conduct of the Business as conducted at Completion; and
- (b) perform their intended functions.

16.3 Ownership of Systems

All Systems (other than software) are either owned by or validly licensed to the Company.

16.4 Software

The Company either owns or is validly licensed to use the software comprised in the Systems.

16.5 System Performance

The Systems (individually and as a whole) have not been in the last 12 months, and will not be to the best of the Sellers' knowledge subject to any material interruption, adverse performance, impediment, incorrect result or adverse effect on functionality relating to entry, identification, formatting, sequencing, transition, transfer, calculation and processing of dates (including relating to leap years).

16.6 No Viruses

To the best of the Sellers' knowledge, the Systems are free from viruses or other hardware or software designed to permit access or use of the Systems by unauthorised persons or disable, damage, erase, disrupt or impair the normal operation of the Systems.

16.7 No Third Party Access

To the best of the Sellers' knowledge, none of the Systems have been used or accessed by any third party in a way not authorised by the Company.

16.8 Back Up Systems and Maintenance Agreements

All necessary and prudent back up system(s) and support and maintenance agreements are in place in respect of the Systems.

16.9 Software

In respect of any material software which is licensed to the Company, there are adequate arrangements to enable the Company to have access to source codes on the insolvency of the relevant software supplier if reasonably required by the Company.

17. Trade Practices

17.1 Fair trading

So far as the Sellers are aware, neither the Company nor any of its officers or employees has committed or omitted to do any material act or thing the commission or omission of which is a serious contravention of the *Fair Trading Act 1986* or any similar applicable law.

17.2 Defective products

So far as the Sellers are aware, the Company has not manufactured, sold or supplied any products or services which are or were or will become, in any material respect, faulty or defective, or which do not comply in any material respect with any warranties or representations expressly or impliedly made or given by it or with all applicable laws.

17.3 Product Recalls

None of the products manufactured, sold or supplied by the Company has been subject to a recall notice, order or demand issued by any Governmental Agency.

18. Compliance with law

The Company:

- (a) has all necessary Authorisations, licences, consents, permissions, authorities and permits required to conduct the Business and use the Leased Premises, and has paid all fees due in relation to them and complied with all conditions under them;
- (b) as far as the Sellers are aware, has complied in all material respects with all laws, rules and codes of conduct applicable to them or to the conduct of the Business where non-compliance would have a material adverse effect on the Company or the Business; and
- (c) as far as the Sellers are aware, no third party has alleged a contravention of such laws, rules or codes.

19. Privacy

19.1 The Company has:

- (a) in the three years prior to the date of this Agreement, complied in all material respects with the Privacy Laws in relation to Personal Information of clients, customers and employees of the Business, including in relation to data privacy, data protection and data security, including with respect to the collection, storage, transmission, transfer, disclosure, destruction and use of such Personal Information; and
- (b) taken reasonable measures to ensure that such Personal Information of clients, customers and employees of the Business is protected against loss, damage and unauthorised access, use, modification or other misuse.

19.2 There has, in the three years prior to the date of this Agreement, been no material loss, damage or unauthorised access, use, modification or other material misuse of any Personal Information of clients, customers and employees or any information or data relating to the Business, in each case, owned, held or controlled by the Company. No person has provided any notice, made any claim, or commenced any proceeding with respect to loss, damage or unauthorised access, use, modification or other misuse of any such Personal Information by the Company in respect of the Business, and to the best of the Sellers' knowledge, there is no reasonable basis for any such notice, claim or proceeding.

20. Litigation

20.1 Company not a party to any litigation

The Company is not, nor has been in the last two years:

- (a) a party to any investigation, prosecution, litigation, arbitration proceedings or any form of mediation or dispute resolution;
- (b) subject to any investigation or review by any Government Agency; or
- (c) a party to any dispute which, so far as the Sellers are aware, is likely to give rise to any investigation, prosecution, litigation, arbitration or other proceedings,

in respect of the Business, the assets of the Company or the Leased Premises.

20.2 No litigation pending or threatened

As far as the Sellers are aware, no investigation, prosecution, litigation, proceeding or any other form of mediation or dispute resolution referred to in warranty 20.1 is pending or threatened.

20.3 No unsatisfied judgment, order, award or decision

There is no unsatisfied judgment, order, arbitral award or decision of any court, tribunal, arbitrator or other Government Agency against or affecting any Seller, the Company or the Business.

21. Records and constituent documents

All Accounts, books, ledgers and financial and other Records relating exclusively to the Company:

- (a) are in the possession or under the control of the Company and located at the Leased Premises;
- (b) have been fully and accurately maintained (in all material respects) and do not contain any material inaccuracies, omissions or discrepancies;
- (c) are up-to-date;
- (d) comply with all material legal requirements; and
- (e) so far as the Sellers are aware, permit the Buyer to comply with the obligations assumed by it under this Agreement and required by law.

22. Overseas Investment Act

For the purposes of the Overseas Investment Act 2005, the Company:

- (a) is not a strategically important business; and
- (b) does not hold any interest in sensitive land

23. Taxes

23.1 Tax Payments

All Tax payments required to be made by the Company before the Completion Date have been made or will be made on or before the relevant due date, or an equivalent amount has been paid to a tax pooling account of the Company as defined in the Tax Act (and has not been refunded).

23.2 Withholdings

All deductions or withholdings of Tax, required by Tax Law from distributions or payments made by the Company, have been made, and:

- (a) the Company has accounted to the relevant Tax Authority for any Tax so deducted or withheld; on or before the relevant due date; or
- (b) provision for future payment of the amounts so deducted has been made in the Completion Statement in order to be accounted for to the relevant Tax Authority by the applicable due date.

23.3 Tax Returns

The Company has filed all Tax returns, registrations, elections, notices, disclosures and information (**Returns**) to the relevant Tax Authorities as required by law on or before the relevant due date. All such Returns were correct, disclosed all material items and are not the subject of any dispute.

23.4 Tax Records

The Company has kept those Tax Records which it has been required to keep for the purposes of applicable Tax legislation.

23.5 Tax Accounts

The Company's imputation credit account has been correctly maintained and did not have a debit balance as of 31 March in any year and will not have a debit balance at Completion.

23.6 Imputation

No dividend has been paid or treated for tax purposes as paid by the Company in respect of which imputation credits have been attached at an imputation ratio that breaches the benchmark dividend rules in section OB 61 of the Tax Act or in excess of the amount of imputation credits available to the Company at the date the dividend is paid or treated as paid (not taking into account any imputation credits arising from Tax paid which exceeds a reasonable estimate of Tax payable for the period prior to Completion).

23.7 Residence

The Company is resident in New Zealand for Tax purposes and is not resident in any other country or jurisdiction by operation of any double tax agreement or otherwise and has and has had no branch, agency, place of business or permanent establishment outside New Zealand which may result in the Company being subject to Tax in that other country.

23.8 No Tax Disputes

The Company is not in any dispute with, and is not under any review, audit or investigation, by any Tax Authority and to the knowledge of the Sellers and the Company, no such dispute, review, audit or investigation is pending or is anticipated.

23.9 Tax Group

The Company is not and has not ever been a member of an income tax group, a GST group, or an imputation group for Tax purposes.

23.10 Related Party Transactions

All contracts, transactions, and any other arrangements between the Company and any associated persons, as that term is defined in section YA 1 of the Tax Act, have been entered into on arm's length terms (for the purposes of the Tax Act, or any equivalent rule under any double tax agreement or foreign law), including any transfer pricing arrangement under which an amount that is not an "arm's length amount" (as that term is defined in the Tax Act) is payable or receivable.

23.11 Depreciation

The Company has properly claimed depreciation on all of its depreciable property, and the adjusted tax values and cost prices of all such depreciable property are as stated in the Company's asset register.

23.12 Customs and Excise

The Company has paid in full any excise duty for which it is liable and has complied in full with all its obligations under the Customs and Excise Act 2018 and any applicable foreign legislation which imposes taxes and duties similar to excise tax and other duties or taxes imposed under the Customs and Excise Act 2018.

23.13 Hybrids

The Company is not and has not been party to any arrangement to which any hybrid mismatch legislation (as that term is defined in the Tax Act) applies.

23.14 Rulings and determinations

Where any binding ruling or determination has been received by or issued in respect of the Company, the relevant arrangement entered into is not materially different from the arrangement identified in the binding ruling or determination, there were no material omissions or misrepresentations in, or in connection with, the application for the binding ruling or determination, and any conditions or assumptions stipulated in the binding ruling or determination are satisfied. Any application by the Company for a binding ruling or determination that is being considered by a Tax Authority has been disclosed to the Buyer.

23.15 GST

The Company is registered for the purposes of the GST Act and has complied in all respects with the GST Act, and is not in default of any obligation to make any payment, return or notification under the GST Act.

23.16 Full Provision

Full provision or reserve is made in the Completion Statement for all Tax liable to be assessed on the Company or for which it may become liable, with respect to Tax on profits, gains, income and receipts for any period ending on or before Completion.

23.17 No Assessment on Disposal of Assets

No income would result or arise if any asset of the Company were to be, or were deemed to be, sold, disposed of, or distributed, on the Completion Date, except:

- (a) any income arising from the sale, disposition or distribution of trading stock within the meaning of the definition of trading stock in section EB 2 of the Tax Act;
- (b) any depreciation recovery income under section CG 1 of the Tax Act;
- (c) any income arising under section CB 30 of the Tax Act; or
- (d) any income arising from the disposal of an emissions unit.

Signing Page

Executed as an agreement

SIGNED by PACIFIC SAFETY
INTERNATIONAL LIMITED:



Director

DAVID WINSTON ARCHER BENNETT

Name

SIGNED by DAVID BENNETT:



DAVID BENNETT


SIGNED by MARION BENNETT:

MARION RAE BENNETT

SIGNED by LAKELAND NZ
LIMITED:

Director

Name

Signing Page

Executed as an agreement

**SIGNED by PACIFIC SAFETY
INTERNATIONAL LIMITED:**

Director

Name

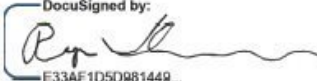
SIGNED by DAVID BENNETT:

DAVID BENNETT

SIGNED by MARION BENNETT:

MARION BENNETT

**SIGNED by LAKELAND NZ
LIMITED:**

DocuSigned by:

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Director
Roger Shannon

Name

Share Purchase Agreement

dated 5 February 2024

by and between

Minerva Manufacture de chaussures S.A. (the **Seller**)

Allée des Soupirs 2
2900 Porrentruy
Switzerland

and

Lakeland Global Safety, Ltd., (the **Buyer**)
(CRN: 14490669)

a wholly owned subsidiary of Lakeland Industries, Inc., (the **Parent Party** or **Guarantor**)
Units 9-10 Jetpark, Jetpark Way,
244 Main Road, Newport, East Yorkshire,
United Kingdom

(Seller and Buyer each a **Party** and together the **Parties**)

and

Lakeland Industries, Inc. (the **Guarantor**)

1525 Perimeter Parkway, Suite 325
Huntsville, AL 35806
United States of America

and solely with respect to Sections 7.3 (*Confidentiality*), 7.5 (*Non-Competition*),
9 (*Miscellaneous*) and 10 (*Governing Law and Arbitration*):

Matthias Aerni (the **Restricted Party**)

Rue des Fauvettes 13
2800 Delémont
Switzerland

regarding

the purchase of all shares in Jolly Scarpe S.p.A. and Jolly Scarpe Romania S.R.L.

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Preamble

- A. Seller is a corporation (*Aktiengesellschaft*) duly incorporated in accordance with the laws of Switzerland having its registered office at Allée des Soupirs, 2900 Porrentruy, Switzerland, and is registered with the Commercial Register of the Canton of Jura with number CHE-102.649.146 which is controlled by the Restricted Party.
- B. Buyer is a corporation duly incorporated in accordance with the laws of the United Kingdom having its registered office at Units 9-10 Jetpark, Jetpark Way, 244 Main Road, Newport, East Yorkshire, United Kingdom, registered with the Company House with U.K CRN 14490669. Buyer is wholly owned and controlled by the Parent Party
- C. Jolly Scarpe S.p.A. (the **Company 1**) is a joint-stock company (*società per azioni*) organized and existing under the laws of Italy with its registered office at Via G. Ferraris 51, Montebelluna(TV), Italy, enrolled with the Chamber of Commerce, Industry, Handicrafts and Agriculture of TREVISO - BELLUNO, Italy under tax code, VAT number and Company registration number no. 01549260261, with a nominal share capital of EUR 400,000 divided into 400,000 shares with a nominal value of EUR 1 each (together the **Shares 1** and each a **Share 1**).
- D. Jolly Scarpe Romania S.R.L. (the **Company 2** and together with Company 1 the **Companies** and each a **Company**) is a limited liability company (*Societate cu Raspundere Limitata*) organized and existing under the laws of Romania with its registered office in Bucharest, Romania, 4 Drumul Bercenarului Street, District 4, enrolled with the Bucharest Trade Registry under no. J40/2662/2007, Sole Registration Code: 21044239, with a nominal share capital of RON 3,000,000 divided into 300,000 shares with a nominal value of RON 10 each (together the **Shares 2** and each a **Share 2** and together with the Shares 1 the **Shares** and each a **Share**).
- E. The Companies conduct a business dedicated to the manufacture and distribution of professional footwear under the brands "Jolly" and "Cosmas" (the **Jolly Business**).
- F. As of the date of this share purchase agreement, Seller is the owner of 100% of the Shares, intends to sell the Shares to Buyer and Buyer intends to buy the Shares from Seller pursuant to the terms and conditions of this share purchase agreement.
- G. Prior to executing this Agreement, Buyer has conducted a comprehensive due diligence investigation, amongst others, with respect to the Disclosure Documents.

Now, therefore, the Parties agree as follows:

1. Definitions

Capitalized terms used in this Agreement shall have the meaning assigned to them in Annex 1.

2. Objects of Sale and Purchase

Subject to the terms and conditions of this Agreement, the Seller hereby agrees to sell and, on the Closing Date, to transfer the Shares as per Section F of the Preamble to Buyer, and Buyer hereby agrees to buy the Shares from Seller.

3. Purchase Price

3.1. Purchase Price Structure

The consideration payable by Buyer to Seller for the Shares sold under this Agreement (the **Purchase Price**) shall consist of:

- (a) An initial consideration (**Initial Consideration**) of CHF 8,000,000 (which full amount shall be used to calculate the tax on the transfer of the Shares 1, with the understanding that the equivalent consideration in Euros shall be determined by using the spot exchange rate quoted by Bloomberg at 5:00 pm (US central time) on the day before the Closing Date) plus the Estimated Adjustment Amount (such Estimated Adjustment Amount may be positive or negative);
- (b) minus the Shortfall or plus the Surplus set forth and payable as contemplated by Section 3.3(k).

3.2. Estimated Adjustment Amount and Estimated Closing Accounts

- (a) Seller's good faith estimates of (i) the **Estimated Closing Accounts** which shall be prepared in accordance with the Accounting Principles, as of the Closing Date and (ii) a statement (the **Estimated Closing Statement**) setting forth Seller's calculation, based on the Estimated Closing Accounts, of (x) **Estimated Net Working Capital**, as calculated pursuant to the example set forth on Annex 3.3(b), (y) the Cash as of the Closing Date (the **Estimated Cash**), and (z) the Debt as of the Closing Date (the **Estimated Debt**), and (iii), the corresponding **Estimated Adjustment Amount** (as defined below), prepared in accordance with the Accounting Principles, together with reasonable supporting detail and as communicated to Buyer by each Company five (5) Business Days prior to the date hereof are set forth in Annex 3.2(b).
- (b) The estimated adjustment amount (the **Estimated Adjustment Amount**) shall be equal to the Estimated Net Working Capital of the Companies, less the Net Working Capital Target, plus the Estimated Cash minus the Estimated Debt as set forth in the Estimated Closing Accounts.

3.3. Post-Closing Adjustment

- (a) No later than forty (40) Business Days following the Closing, Buyer shall cause each Company to deliver to Seller (i) the Closing Accounts which shall be prepared in accordance with the Accounting Principles, as of the Closing

Date, and (ii) a statement (the **Closing Statement**) setting forth Buyer's calculation, based on the Closing Accounts, of the (1) Cash (the **Closing Cash**); (2) the Debt (the **Closing Debt**); and (3) the Net Working Capital (the **Closing Net Working Capital**) and corresponding **Adjustment Amount** (as defined below).

- (b) The adjustment amount (the **Adjustment Amount**) shall be equal to the Closing Net Working Capital, less the Net Working Capital Target, plus the Cash minus the Debt as set forth in the Closing Accounts. For illustrative purposes, Annex 3.3(b) provides an example calculation of the Adjustment Amount (with the assumption that the closing values described in 3.3(a) above shall be used in place of the estimated variables described). The Adjustment Amount may be positive or negative.
- (c) Unless Seller gives notice to the Buyer within thirty (30) Business Days following receipt of the Closing Accounts and Closing Statement that it disagrees with a specific item or specific items of the Closing Accounts or Closing Statement (the **Notice of Objection**), stating in writing and in reasonable detail the reasons for its disagreement, the Closing Accounts and the Closing Statement shall be deemed final and binding for all purposes.
- (d) The Parties shall endeavor in good faith to resolve any disagreement with respect to the Closing Accounts and/or Closing Statement within twenty (20) Business Days after Buyer's receipt of the Notice of Objection. If the Parties are unable to do so, the Parties shall procure that the Adjustment Amount is determined by an independent accounting firm of international standing having offices in Switzerland (excluding however Seller's, Buyer's and the Companies' auditors) with experience in such matters and that is mutually determined by the Parties or, if the Parties fail to agree on such expert within thirty (30) Business Days from the submission by Seller of a Notice of Objection, by an audit firm with good reputation in Switzerland appointed by the chairman of the Basel Chamber of Commerce (the **Expert**) upon request of any of the Parties. The Expert shall hereby act as arbitral expert (*Schiedsgutachter*) in the sense of article 189 of Swiss Code of Civil Procedure (*Zivilprozessordnung, ZPO*) and not as an arbitrator.
- (e) The Parties shall procure that the Expert will be granted as promptly as practicable access to all information and documentation that may be reasonably requested by the Expert for the determination of the Closing Accounts and the Closing Statement. As promptly as practicable, the Buyer and the Seller shall each prepare and submit a presentation (only with respect to the unresolved disputed items) to the Expert; provided, however, that copies of all such materials are concurrently provided to the other Party and that such discussions may only occur in the presence (including by telephone) of the other Party. As soon as practicable thereafter, but no later than ten (10) Business Days from the final submission of presentations from the Parties, the Parties shall cause the Expert to render its written decision with respect to the unresolved disputed items and the Adjustment Amount resulting therefrom within thirty (30) Business Days from its appointment.

- (f) The Expert shall make its determination of the Closing Accounts and the Closing Statement in respect of the line items as to which the Parties have disagreed based on the presentations and supporting materials provided by the Parties and such other documentation and information as the Expert may reasonably request from each of the Parties. The Expert shall:
 - (i) give the Parties a reasonable opportunity to make written and oral presentations;
 - (ii) require that the Parties each submit with any written submissions to the Expert a copy of such submissions to the other Party; and
 - (iii) permit each Party to be present while oral presentations are being made by the other Party.
- (g) Other than as set forth above, the Expert shall determine its own procedure in accordance with the requirements of due process.
- (h) The Closing Accounts and Closing Statement as determined by the Expert shall be binding on the Parties and final, unless based on calculation errors or other manifestly incorrect statements of the Expert, in which case the matter shall be referred back to the Expert for correction.
- (i) The Closing Accounts and Closing Statement, including without limitation the Adjustment Amount (i) to which Seller does not object, (ii) to which the Parties agree or (iii) as otherwise conclusively determined by the Expert shall be referred to, respectively, as the **Final Closing Accounts, the Final Closing Statements and Final Adjustment Amount**.
- (j) The costs and expenses (including VAT) of the Expert shall be allocated between the Parties in proportion to their relative success or defeat in the proceedings before the Expert (measured against Seller's and Buyer's position in their initial submissions to the Expert and as determined in its sole discretion by the Expert). The final determination of the Final Closing Accounts and of the Final Adjustment Amount by the Expert shall be conclusive and binding on the Parties, save in the event of fraud or manifest error of the Expert or the Expert's determination being arbitrary, careless, flawed or highly contrary to equity. In such case a Party shall initiate arbitration proceedings pursuant to this Agreement within 30 Business Days from receipt of the final determination.
- (k) Within ten (10) Business Days after the determination of the Final Closing Accounts, the Final Closing Statements and the Final Adjustment Amount pursuant to Section 3.3(i), and
 - (i) if the Final Adjustment Amount is greater than the Estimated Adjustment Amount, Buyer shall pay the Surplus plus interest accrued thereon between the Closing and the date of payment at the rate set forth in Section 8.3, to Seller by wire transfer of immediately available funds to an account of Seller designated in writing by Seller; or

- (ii) if the Final Adjustment Amount is smaller than the Estimated Adjustment Amount, Seller shall pay the Shortfall, plus interest accrued thereon between the Closing and the date of payment at the rate set forth in Section 8.3, to Buyer by wire transfer of immediately available funds to the bank account indicated by Buyer.
- (l) The Shortfall or Surplus shall be treated as an adjustment to the Purchase Price by the Parties for Tax purposes, unless otherwise required by law.
- (m) Subject to Section 5 hereof, the adjustment procedures set forth in this Section 3.3 shall be the sole and exclusive adjustment procedures with regard to the Purchase Price and the Parties hereto expressly waive any and all other adjustment procedures and all other remedies or entitlements under any applicable law having the same economic effect (without prejudice to the remedies provided in this Agreement).

3.4. Holdback Amount

- (a) In order to secure the claims of Buyer against Seller for breaches of representations and warranties, under indemnities, covenants as well as any other claims which Buyer may have against Seller under this Agreement, an amount of CHF 800,000 shall be deferred (the **Holdback Amount**).
- (b) Buyer shall be entitled to set-off the amounts resulting from any claims of Buyer under this Agreement against Seller with the Holdback Amount.
- (c) The Holdback Amount, less the amounts that were set-off to satisfy the claims of Buyer against Seller (if any) shall be paid twelve (12) months after the Closing Date by way of bank wire transfer of immediately available funds to a bank account indicated by Seller.

4. Closing

4.1. Place and Date of Closing

- (a) The Closing shall take place remotely via the exchange of signatures, or at any other place agreed by the Parties.
- (b) The Closing shall take place on the date hereof or such other date agreed upon by and among the Parties.

4.2. Actions by Seller

At Closing, Seller shall deliver or cause to be delivered to the Buyer the following:

- (a) for the transfer of the Shares 1, the final endorsement of said shares certified by an Italian Notary (in the name of dr. Giuseppe Scioli) effected in accordance with Articles 15(1) and 15(3) of Italian Royal Decree no. 239 of 29 March 1942;
- (b) for the transfer of the Shares 2,

- (i) a resolution of the competent governing body according to Company Law no. 31/1990 as subsequently amended, regarding the approval of the transfer of Shares 2, signed in original by the legal representative/representative empowered to represent the sole shareholder in the Company 2, which includes all the statements and documents necessary for the legal registration of transfer of the Shares 2 with the competent authorities according to the law applicable at the Closing Date, including but not limited to the Bucharest Trade Registry, Romanian Fiscal Authorities, banks, etc.;
- (ii) Company 2's updated articles of incorporation valid at the Closing Date and any necessary documents that have to be registered with the Bucharest Trade Registry to ensure the registration of the transfer of the Shares 2 to the Buyer;
- (c) a copy of a resolution of the board of directors of the Seller approving the execution of this Agreement and the performance of the transactions contemplated thereunder;
- (d) a copy of any power of attorney under which any of the actions referred to in this Section 4.2 are executed, including evidence reasonably satisfactory to Buyer of the authority of any person signing on behalf of Seller; and
- (e) two copies of the Disclosure Documents (in the form of electronic copies on a USB key or equivalent medium).

4.3. Actions by Buyer

At Closing Date, Buyer shall:

- (a) pay the Initial Consideration plus the Estimated Adjustment Amount minus the Holdback Amount to Seller without any additional deductions by wire transfer to the bank account designated by Seller in immediately available funds so that they will be credited on the recipients' bank accounts with value date being the Closing Date;
- (b) pay or cause Company 2 to repay the Seller the loans according to the three agreements dated 18 December 2017, 1 March 2018 and 1 March 2018;
- (c) for the transfer of the Shares 2,
 - (i) deliver to the Seller a resolution of the competent governing body of the Buyer according to Company Law 31/1990 as subsequently amended, regarding the approval of the transfer of Shares 2, signed in original by the legal representative/representative empowered to represent the sole shareholder in the Company 2, which includes all the necessary statements and documents for the legal registration of the transfer of the Shares 2 with the competent authorities according to the law applicable at the Closing Date, including but not limited to the Bucharest Trade Registry, Romanian Fiscal Authorities, banks, etc.;

- (ii) sign and deliver to the Seller the updated articles of incorporation following the transactions contemplated by this Agreement and any necessary documents that have to be registered at the Bucharest Trade Registry to ensure the registration of the transfer of the Shares 2 to the Buyer; and
- (d) deliver a copy of any power of attorney under which any of the actions referred to in this Section 4.3 are executed, including evidence reasonably satisfactory to Seller of the authority of any person signing on behalf of Buyer.

4.4. Exchange of documents / Closing effected / Joint Actions

- (a) Upon confirmation by the Seller's bank that the amount equal to the Initial Consideration, plus the Estimated Adjustment Amount, less the Holdback Amount, has been credited to the Seller's bank account, the Parties shall release signatures (held by the Parties' attorneys) and exchange the documents listed in Sections 4.2 and 4.3.
- (b) All actions taken at Closing shall be deemed to have occurred simultaneously. If any such action has not occurred on the Closing Date, the Closing shall be deemed not to have occurred.
- (c) At Closing, the Parties shall confirm the completion of Closing by signing the Closing Memorandum.

5. Representations and Warranties

5.1. Representations and Warranties of Seller

Subject to the limitations set forth in Section 6, Seller hereby represents and warrants to the Buyer that the representations and warranties set forth in Annex 5.1 are true and correct on both the date of this Agreement and the Closing Date, except that those representations and warranties which are explicitly made as of a specific date shall be true and correct only as of such date. All representations and warranties shall be qualified by the disclosures made to the Buyer in the Disclosure Documents but only to the extent that any matter or information reflected therein has been Fairly Disclosed to Buyer.

5.2. Representations and Warranties of Buyer

Subject to the limitations set forth in Section 6, Buyer hereby represents and warrants to Seller that the representations and warranties set forth in Annex 5.2 are true and correct on both the date of this Agreement and the Closing Date, except that those representations and warranties that are explicitly made as of a specific date shall be true and accurate only as of such date.

5.3. No other Representations and Warranties

- (a) Seller acknowledges that Buyer has not made and does not make, and Seller has not relied on and does not rely on, any representation or warranty, express or implied, pertaining to the subject matter of this Agreement, except for the representations and warranties given by Buyer in this Agreement.
- (b) Buyer acknowledges that Seller has not made and does not make, and Buyer has not relied on and does not rely on, any representation or warranty, express or implied, pertaining to the subject matter of this Agreement, except for the representations and warranties given by Seller in this Agreement. Without limiting the generality of the foregoing, Buyer specifically acknowledges that Seller has not made and does not make any representation or warranty with respect to budgets, business plans, forward-looking statements relating to all future product pipeline, client relationships, and other projections of a financial, technical or business nature relating to the Companies.

6. Remedies

6.1. Remedies of Buyer

6.1.1. Notice of Breach (*Rüge*)

- (a) Buyer shall deliver to Seller a notice in writing describing the underlying facts of a claim for misrepresentation or breach of warranty in reasonable detail to the extent then known supported by available documentation (the **Notice of Breach**) at the earlier of:
 - (i) Thirty (30) Business Days after Buyer having obtained knowledge of a misrepresentation or breach of warranty pursuant to Section 5.1; or
 - (ii) (1) in case of a notice of any audit, investigation, demand or claim made or threatened to be made by any third party, or (2) in case of a submission to, or a decision or order by, any competent court, arbitral tribunal or governmental or administrative body (including, without limitation, tax authorities), which either case Buyer believes is reasonably likely to give rise to a claim for misrepresentation or breach of warranty, within forty (40) Business Days after Buyer having received any such notice, submission, decision or order.
- (b) Failure to give the Notice of Breach within the time periods set forth above shall not exclude Seller's liability hereunder; *provided, however*, that Seller shall not be liable for any damage, loss, expense or cost to the extent caused or aggravated by Buyer's failure to give duly and timely notice within the time periods set forth in this Section 6.1.1.

- (c) The regime provided for in this Section 6.1.1 shall be *in lieu of*, and to the exclusion of, Buyer's duty to immediately check the purchased assets/objects and notify Seller in accordance with article 201 CO.

6.1.2. Seller's Right to Cure

With respect to a misrepresentation or a breach of a warranty notified by Buyer to Seller pursuant to Section 6.1.1, Seller shall have the right, within a period of time not exceeding thirty (30) Business Days after receipt of the Notice of Breach and at their own expense, to put Buyer in the same position in which it would have been if no misrepresentation or breach of warranty had occurred.

6.1.3. Seller's Liability

If, and to the extent, such cure cannot be effected, or is not effected within such time period, Seller shall be liable to the Buyer, subject to the further exclusions and limitations set forth in this Section 6 for any damage, loss, expense or cost (including reasonable attorney's fees but excluding any not reasonably foreseeable indirect (*mittelbar*) or consequential (*Mangelfolge-*) damages or loss of profit) incurred or sustained by Buyer or the Companies to establish the state represented or warranted in the representations and warranties set forth in Section 5.1.

6.1.4. Term of Representations and Warranties

- (a) The representations and warranties set forth in Section 5.1 shall survive the Closing:
 - (i) until the 5th anniversary of the Closing with respect to the Fundamental Warranties; and
 - (ii) in case of all other representations and warranties set forth in Annex 5.1, twelve (12) months after the Closing.
- (b) The Parties agree to substitute the statute of limitations set forth in article 210 CO for the survival periods set forth in this Section 6.1.4, it being understood that at the expiry of any of such survival periods, any claim for misrepresentation or breach of warranty which has not been notified to the Seller in accordance with Section 6.1.1 shall be deemed time-barred (*verjährt*) and forfeited (*verwirkt*) automatically, without any need for defence on the part of Seller.

6.1.5. Exclusion of Liability

All matters and information which have been Fairly Disclosed:

- (a) in this Agreement or its Annexes;
- (b) the documents disclosed to Buyer in connection with the due diligence review as listed in the data room index attached hereto as Annex 6.1.5(b) (the **Data Room Index**);

(all the documents referred to in this Section 6.1.5 collectively being the **Disclosure Documents**) shall operate as an exclusion of, or limitation to, Seller's representations and warranties as set forth in Section 5.1 and Buyer's respective rights pursuant to Section 6.1.2, and Seller shall be under no liability pursuant to this Section 6.1.2 to the extent that any matter or information has been Fairly Disclosed to Buyer in the Disclosure Documents.

6.1.6. Limitations on Seller's Liability

- (a) Seller shall not be liable to Buyer for any claims asserted by Buyer against Seller pursuant to Section 6.1.2 unless (i) the amount of the claim or series of claims based on the same set of facts or origin made by Buyer exceeds on a stand-alone basis CHF 10,000 (such claim or series of claims, a **Qualifying Claim**), and (ii) the amount of Seller's liability in respect of the relevant Qualifying Claim exceeds, or when aggregated with the amount of the total obligation of Seller in respect of all other Qualifying Claim will exceed, CHF 100,000 (the **Threshold Amount**). If the Threshold Amount has been exceeded, Seller shall be required to indemnify Buyer from and against any and all losses suffered or incurred by Buyer, and not just the losses in excess of the Threshold Amount.
- (b) Notwithstanding anything in this Agreement to the contrary, Seller's aggregate liability pursuant to Section 6.1.2, except in case of a breach of Fundamental Warranties, shall not exceed an amount equal to the Holdback Amount (the **Cap**); *provided, however*, that in case of breach of Fundamental Warranties the Seller's liability shall in the aggregate not exceed 100% of the Purchase Price.
- (c) Seller's liability pursuant to Section 6.1 shall be excluded or reduced, as the case may be, if, and to the extent:
 - (i) Buyer and, following Closing, the Companies, have (1) failed to use their reasonable best efforts to mitigate its loss or damage in respect thereof or have (2) caused or aggravated such liability or such liability is caused or aggravated by circumstances for which Buyer is responsible (Art. 44 CO);
 - (ii) Buyer or the Companies have recovered from any third Person, including, but not limited to, an insurer, costs, expenses or damages in respect of any matter to which a claim asserted relates, after deduction of all duly documented costs and expenses incurred in making such recovery (including reasonable attorney's fees);
 - (iii) any Tax payable by the Companies is reduced as a result of a matter giving rise to a claim for misrepresentation, breach of warranty or indemnity; and
 - (iv) such claim arises or is increased as a result of any legislation, regulation, rule of law or practice not in force prior to or at the Closing Date or the withdrawal after Closing of any permit previously granted

by any relevant authority or as a result of any change made or introduced after the Closing Date in any legislation, regulation, rule of law or practice of any relevant authority, whether or not such change or withdrawal purports to be effective retrospectively in whole or in part.

The foregoing provisions shall apply *mutatis mutandis* with respect to Buyer's liability pursuant to Section 6.2.

- (d) Any payment made by any Seller to Buyer under this Agreement shall be considered as a reduction of the Purchase Price.
- (e) Any claim based on fraud or gross negligence of the Seller shall not be subject to the limitations of liabilities set out in this Section 6.1.

6.1.7. Third Party Claims

- (a) In case of any claim brought or threatened by a third party, including, but not limited to, claims brought by tax or other Governmental Authorities, against Buyer with respect to the Companies, which qualifies as a breach of a representation or warranty or as a misrepresentation and which has been notified by Buyer in accordance with Section 6.1.1, Buyer shall be entitled to oppose, or to cause the Companies to oppose, such claim, and Seller shall use their reasonable best efforts in assisting Buyer or the Companies in defending such claim. Subject to the provisions of this Agreement, Seller shall bear all reasonable attorney's fees, sustained or incurred by Buyer or the Companies in defending such claim (to the extent such fees cannot be recovered from the third party). Buyer shall procure that no such claim is settled without the prior written consent of Seller, which consent shall not be unreasonably withheld or delayed.
- (b) In case any of the claims or series of claims based on the same factual circumstances specified in subsection 6.1.7(a) of this Section exceeds or is reasonably likely to exceed CHF 100,000, Seller shall have the right to defend, at their own expense and by their own counsel, any of such claims. Seller shall procure that none of such claims are settled without the prior written consent of Buyer, which consent shall not be unreasonably withheld, provided that Seller shall in case of such settlement indemnify Buyer against any damage, loss, expense or cost arising from such settlement. Buyer's consent shall be deemed to be given if Buyer does not object within ten (10) Business Days following receipt of Seller's written notification of its intention to settle a claim. Buyer shall cooperate with and provide at its own cost appropriate documentation (subject to any statutory privilege or statutory duties of confidentiality) and support in connection with such compromise or defense, as reasonably requested by Seller or their counsel. Buyer shall have the right to participate, at its own cost, in the defense of any asserted liability.

- (c) Buyer may direct Seller to agree to settle any asserted liability against Buyer or the Companies at any time; *provided, however*, that Buyer at the same time unconditionally and irrevocably waives any claims it may have for misrepresentation or breach of warranty against Seller under this Agreement regarding such asserted liability.

6.2. Remedies of Seller

The provisions of Section 6.1 shall apply by analogy with respect to any misrepresentation or breach of warranty by Buyer.

6.3. Remedies Exclusive

The remedies under this Agreement shall be *in lieu of*, and not in addition to, the remedies provided for under the CO. All other remedies, including, but not limited to, the right to rescind this Agreement following Closing, shall not apply and are hereby explicitly waived. In particular, and without limitation to the foregoing, Seller and Buyer hereto explicitly waive (i) any and all rights pursuant to articles 97 *et seq.*, 192 *et seq.* and 197 *et seq.* CO, (ii) the right of contract rescission under article 205 CO or otherwise, and (iii) the right to challenge the validity of this Agreement for fundamental error under article 23 *et seq.* CO.

7. Covenants

7.1. Press Releases and Other Public Announcements

Following the date of this Agreement, all public announcements or press releases issued in connection with the transactions contemplated by this Agreement shall only be published after the Parties have consulted and agreed on the contents of such public announcements or press releases. Nothing in this Agreement shall restrict or prohibit:

- (a) any announcement or disclosure required by statutory law or regulations, by any competent judicial or regulatory authority or any competent securities exchange; in such case the Parties shall, if and to the extent permitted by law, cooperate in good faith in order to agree on the content of any such announcement or disclosure before it is made;
- (b) Buyer or the Companies from informing customers or suppliers of the acquisition of the Companies by Buyer after Closing; or
- (c) Buyer from making any disclosure to any of its directors, officers, employees, agents or advisors who need to receive such information for the performance of their duties; provided that each such person shall have agreed or is otherwise under the obligation to maintain the confidentiality of such information in accordance with this Section 7.1, any other provision of this Agreement or applicable law.

7.2. No Recourse against Directors and Officers

- (a) Neither Seller nor Buyer shall make, and procure that the Companies shall not make, any claim against any director or officer of the Companies in connection with this Agreement or the agreements pursuant hereto or otherwise in connection with the transactions contemplated hereby except in the case of willful breach of duties or fraudulent or criminal conduct of such directors or officers.
- (b) At the first annual meeting of each Company after the Closing, Buyer shall vote, or cause the relevant shareholders or other stakeholders to vote, in favor of an unconditional discharge to the directors and officers of the respective Company in connection with their respective conduct of their business in the period up to Closing except in the case of willful breach of duties or fraudulent or criminal conduct of such directors or officers.
- (c) With respect to this Section 7.2 and other provisions, any obligation of Seller or Buyer to cause any Person to take or to omit certain actions or to act in a certain manner under or in connection with this Agreement shall always cease to apply in case of any bankruptcy, insolvency or similar proceedings involving such Person or other restrictions under applicable corporate law or any other law applicable.

7.3. Confidentiality

- (a) The mutual confidentiality agreement executed by the Parties on 27 February 2023 (the **Confidentiality Agreement**) shall remain in full force and effect until Closing.
- (b) From the Closing, each Party shall maintain the confidentiality of the contents of this Agreement and no Party shall disclose the content of this Agreement to a third party unless (i) required to do so by applicable law, governmental or other regulation (including a stock exchange regulation), a court decision or a governmental order to make a disclosure, or (ii) the Parties shall have agreed in writing to make such disclosure. Seller shall, and shall cause their Affiliates, directors, officers, employees and advisors to (1) maintain the confidentiality of all confidential information in respect of the Buyer and of the Companies, (2) not disclose any such information to third parties, and (3) not use any such confidential information for their own benefit, the benefit of any other person or to the detriment of the Buyer, its Affiliates or the Company, except as may be required by applicable law or applicable regulations and save to the extent that such confidential information comes into the public domain other than by a breach of this paragraph.
- (c) If a Party is required by applicable law, governmental or other regulation (including a stock exchange regulation), a court decision or a governmental order to make a disclosure, it shall inform, to the extent reasonably practicable and legally permissible, the other Party that such disclosure is

required, and the Parties shall use their reasonable best efforts to agree in good faith on the content of such disclosure before it is made.

- (d) Neither the Confidentiality Agreement nor the foregoing confidentiality undertaking shall:
 - (i) prevent Buyer from providing information to providers of financing for the transactions contemplated by this Agreement and to its advisors;
 - (ii) prevent the Buyer from making an announcement or disclosure required by statutory law (including, but not limited to, stock exchange law), any competent Governmental Authority or any competent securities exchange; or
 - (iii) prevent Buyer or Seller from exercising its rights and fulfilling their obligations under this Agreement.
- (e) If the transactions contemplated by this Agreement are not consummated, upon the request of one Party, the other Party will, and will cause each of its Affiliates and their respective directors, employees and advisors to, promptly (and in no event later than five (5) Business Days after such request) return or cause to be returned all documents and information, including but not limited to the Disclosure Documents received by such Party in connection with this Agreement or the transactions contemplated hereby; provided that one copy may be retained by each advisor to a Party for the records that they are required to keep in their capacity as professional advisors and the confidentiality of such Disclosure Documents shall be maintained.

7.4. Retention of Documents

Seller shall have the right to request Buyer to provide copies of all data and documents of the Companies which relate to the time up to the Closing Date and which Seller requires in order to comply with any legal requirements (including for filings with respect to Taxes) and with respect to any judicial, quasi-judicial, administrative, Tax, audit, or arbitration proceeding involving the Seller or the Companies. Buyer shall comply with Seller's request in due time.

7.5. Non-Competition

- (a) Restricted Party covenants and undertakes to Buyer that during the period from the Closing Date to and including the second anniversary of the Closing Date (the **Non-Compete Period**) he shall not (i) engage in any Restricted Activity, and (ii) acquire, in the context of any acquisition, merger, joint venture, asset purchase, or any other business combination, a controlling ownership interest in a third party person engaged in a Restricted Activity.
- (b) If at any time a court holds that the restrictions stated in this Section 7.5 are unreasonable or otherwise unenforceable under circumstances then existing, the Parties hereto agree that the maximum period, scope or geographical area determined to be reasonable under such circumstances

by such court will be substituted for the stated period, scope or area, and the court making the determination of unreasonableness or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed. Restricted Party acknowledges and agrees that money damages shall not be an adequate remedy for any breach or threatened breach of the provisions of this Section 7.5 and that, in such event, Buyer may, in addition to any other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance, injunctive and/or other relief in order to enforce or prevent any violations of the provisions of this Section 7.5 (including, if the court so determines, the extension of the Non-Compete Period by a period equal to the length of court proceedings necessary to stop such violation).

- (c) Restricted Party agrees that the restrictions contained in this Section 7.5 are reasonable in all respects (including its duration, geographical area and scope) and are necessary to protect Buyer's substantial investment in the Company.

8. Taxes, Costs, Expenses and Interest

8.1. Taxes

Except as otherwise provided for in this Agreement, each Party shall bear all Taxes incurred by or levied on it in connection with the transactions contemplated under this Agreement. Any duties imposed by applicable law on the transfer of the Shares, (e.g. transfer taxes (*Umsatzabgabe*)), shall be borne by the Party which has incurred or is liable to pay such Taxes.

8.2. Costs and Expenses

Except as otherwise provided herein, each Party shall bear its own costs and expenses (including advisory fees) incurred in the negotiation, preparation, execution and completion of this Agreement.

8.3. Interest

If a Party defaults in the payment of any amount payable under this Agreement when due, the liability of such Party shall be increased to include interest on that amount from the date when the payment was due until the date it is actually paid (whether before or after a court judgment) at an annual rate of interest equal to the SARON three (3) months compound rate (as published by the SIX Swiss Exchange) plus 300 basis points (3%). If the applicable compounded SARON is less than zero, the applicable compounded SARON shall be deemed zero.

9. Miscellaneous
9.1. Liability of Guarantor

The Guarantor shall be jointly and severally liable pursuant to article 143 *et seq.* CO for all obligations and liabilities of the Buyer under this Agreement.

9.2. Effect on Third Parties

No Person other than the Parties shall have any rights or benefits under this Agreement, and nothing in this Agreement is intended to confer any rights, benefits or remedies on any Person other than the Parties.

9.3. Notices

- (a) All notices or other communications to be given under or in connection with the Agreement shall be made in writing and shall be delivered by registered mail (return receipt requested), an internationally recognized courier to the following addresses:

if to Seller:	Minerva Manufacture de chaussures S.A. Allée des Soupîrs 2 2900 Porrentruy, Switzerland Attn: Matthias Aerni Email: maerni@minerva-shoes.com
with a copy to:	Walder Wyss Ltd. Aeschenvorstadt 48 PO Box 633 4010 Basel, Switzerland Attn: Alexander Gutmans and Christoph Burckhardt Email: alexander.gutmans@walderwyss.com / christoph.burckhardt@walderwyss.com
if to Buyer/Guarantor:	Lakeland Industries, Inc. 1525 Perimeter Parkway, Suite 325 Huntsville, AL 35806, USA Attn: Joshua Sletten Email: jsletten@lakeland.com
with a copy to:	Maynard Nexsen, P.C. 655 Gallatin Street, SW Huntsville, AL 35801, USA Attn: Richard Marsden Email: rmarsden@maynardnexsen.com

or such other address as any of the Parties may notify to the other Party in accordance with the above.

- (b) All notices delivered in person shall be deemed to have been delivered to, and received by, the addressee and shall be effective on the date of personal delivery; notice by registered mail or courier shall be deemed effective on the date it was deposited in the mail or delivered to the courier.

9.4. Entire Agreement

In addition to the Confidentiality Agreement which shall survive as stated in Section 7.3 (Confidentiality), this Agreement, including the Annexes and any other documents referred to herein, constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof, and shall supersede all prior oral and written agreements or understandings of the Parties relating hereto.

9.5. Amendments and Waivers

This Agreement may only be modified or amended by a written document signed by all Parties. Any provision contained in this Agreement may only be waived by a written document signed by the Party waiving such provision, and a waiver of any right under this Agreement applies only to the person to which the waiver is addressed and the circumstances for which it is given. No waiver of any term or provision of this Agreement or of any right or remedy arising out of or in connection with this Agreement constitutes a continuing waiver or a waiver of any term, provision, right or remedy relating to a subsequent breach of such term or provision or of any other right or remedy under this Agreement. The failure or delay by a Party in exercising any right or remedy under or in connection with this Agreement will not constitute a waiver of such right or remedy.

9.6. No Assignment

A Party shall not assign this Agreement or any rights or obligations hereunder to any third party, including but not limited to pursuant to a transfer of assets (*Vermögensübertragung*) or divestiture (*Abspaltung*), without the prior written consent of the other Parties; provided that, the no such consent shall be required with respect to an assignment by Buyer to any of its Affiliates.

9.7. No Set-off

Except as explicitly set forth in this Agreement, Buyer shall have no right to set-off any claims against the Seller from any payments to be made by Buyer under this Agreement.

9.8. Severability

If any part or provision of this Agreement shall be held to be invalid or unenforceable by any competent arbitral tribunal, court, governmental or

administrative authority having jurisdiction, the other provisions of this Agreement shall nonetheless remain valid. In this case, the Parties shall endeavor to negotiate in good faith a substitute provision that best reflects the economic intentions of the Parties without being unenforceable and shall execute all agreements and documents required in this connection.

10. Governing Law and Arbitration

10.1. Governing Law

This Agreement shall be governed by and construed in accordance with the substantive laws of Switzerland (to the exclusion of the Vienna Convention on the International Sale of Goods dated 11 April 1980).

10.2. Arbitration

Any dispute, controversy or claim arising out of, or in relation to, this Agreement, including the validity, invalidity, breach or termination thereof, shall be resolved by arbitration in accordance with the Swiss Rules of International Arbitration of the Swiss Arbitration Center in force on the date on which the Notice of Arbitration is submitted in accordance with these Rules. The number of arbitrators shall be three (3). The seat of arbitration shall be Basel, Switzerland. The proceedings shall be conducted, and any award shall be rendered, in English.


[SIGNATURES ON NEXT PAGE]

Signatures

Seller

Minerva Manufacture de chaussures S.A.

Basel, 5/2/2024
Place, date


By: Matthias Aerni
Title: Chairman of the Board of Directors

Buyer

Lakeland Global Safety, Ltd.

Place, date

By: Joshua Sletten
Title: Director

Guarantor

Lakeland Industries, Inc.

Place, date

By: Roger Shannon
Title: Chief Financial Officer

Signatures

Seller

Minerva Manufacture de chaussures S.A.

Place, date

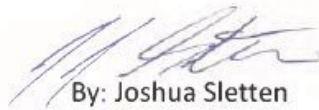
By: Matthias Aerni

Title: Chairman of the Board of Directors

Buyer

Lakeland Global Safety, Ltd.

Place, date



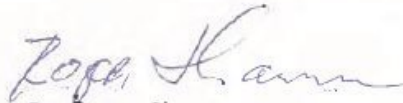
By: Joshua Sletten

Title: Director

Guarantor

Lakeland Industries, Inc.

Place, date



By: Roger Shannon

Title: Chief Financial Officer

Annex 1 – Definitions

Defined Term	Meaning
Accounting Principles	shall mean, in respect of each of the Companies, the generally accepted accounting principles applicable in Italy and Romania, as applied by the Companies consistent with their past practice and in accordance with the applicable law.
Adjustment Amount	shall have the meaning given in Section 3.3(b).
Affiliate	shall mean with respect to any person, any person that directly or indirectly through one or more intermediaries controls such person or is under direct or indirect common control with such person. As used herein, the term "control" means possession, direct or indirect, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise.
Agreement	shall mean this share and asset purchase agreement including all of its Annexes and related documents.
Annex	shall mean an annex to this Agreement.
Business Day	shall mean any day on which the commercial banks in Basel are open for normal business transactions.
Buyer	shall have the meaning given on the cover page of this Agreement.
Cap	shall have the meaning given in Section 6.1.6(b).
Cash	shall mean cash and cash equivalents as the aggregate amount of (i) cash on hand, (ii) immediately available amount of demand deposits with banks, financial or other similar institutions, (iii) certified cheques, (iv) all freely available to the Company, including interest bearing short

Defined Term	Meaning
	and long-term receivables (each in the meaning of the Accounting Principles), (v) prepayments for liabilities to be incurred post-Closing, (vi) receivables due from Governmental Authority and (vii) receivables from third parties which are actually paid to the Company within 30 days post-Closing.
CHF	shall mean Swiss francs, being the lawful currency of Switzerland.
Closing	shall mean the consummation of the transactions contemplated by this Agreement as described in Section 4.
Closing Accounts	shall mean the unaudited balance sheet and statement of income of the Companies as of the Closing Date.
Closing Cash	shall have the meaning set forth in Section 3.3(a).
Closing Date	shall mean the date on which the Closing actually occurs, as provided in Section 4.1(b).
Closing Debt	shall have the meaning set forth in Section 3.3(a).
Closing Memorandum	shall mean the closing memorandum prepared by Seller's legal counsel, in cooperation with Buyer's legal counsel, which describes the Closing actions pursuant to Sections 4.2, 4.3 and 4.4 and which shall serve as evidence for the Closing of the transactions contemplated under this Agreement.
Closing Net Working Capital	shall have the meaning set forth in Section 3.3(a).
Closing Statement	shall have the meaning given in Section 3.3(a).
CO	shall mean the Swiss Code of Obligations (OR).
Company 1	shall have the meaning given in Section C of the Preamble.
Company 2	shall have the meaning given in Section D of the Preamble.

Defined Term	Meaning
Company(ies)	shall have the meaning given in Section D of the Preamble.
Data Room Index	shall have the meaning given in Section 6.1.5(b).
Debt	any interest bearing debt, including but not limited bank debt, factoring facilities, accrued outstanding interest, mezzanine or hybrid capital, shareholder loans or similar items, any external unfunded pension liability under a defined benefit plan, plus the sum of any (i) third party and related party accounts payables and (ii) accruals for invoices outstanding; Debt shall not include any tax liabilities and fees imposed on Company 2 in connection with the transfer of Company 2's real estate to Seller's Affiliate in Romania.
Disclosure Documents	shall have the meaning given in Section 6.1.5.
Estimated Adjustment Amount	shall have the meaning given in Section 3.2(b).
Estimated Closing Statement	shall have the meaning given in Section 3.2(a)(ii).
Estimated Closing Accounts	shall have the meaning given in Section 3.2(a).
Estimated Cash	shall have the meaning given in Section 3.2(a).
Estimated Debt	shall have the meaning given in Section 3.2(a).
Estimated Net Working Capital	shall mean, an estimate, as of the Closing Date value of the relevant company's short term assets less such company's short term liabilities as set forth on <u>Annex 3.2</u> with no duplication for cash or debt.
EUR	shall mean Euro, being the lawful currency of certain member states of the European Union.
Expert	shall have the meaning given in Section 3.3(d).
Fairly Disclosed	shall mean a disclosure of fact in a manner which allowed Buyer and its advisors without any in-depth knowledge of

Defined Term	Meaning
	the Companies to reasonably identify and assess the impact of such fact on the business operations and prospects of the Companies based on the reading of the Disclosure Documents and without need for any specific explanation or highlighting from the part of the Companies. The concept of fair disclosure as defined herein shall supersede article 200 para. 2 CO.
Final Adjustment Amount	shall have the meaning given in Section 3.3(i).
Final Closing Accounts	shall have the meaning given in Section 3.3(i).
Final Closing Statement	shall have the meaning given in Section 3.3(i).
Fundamental Warranties	mean the matters covered by paragraph (a) of <u>Annex 5.1 (Ownership and Qualification)</u> and paragraph (b) of <u>Annex 5.1 (Due Authorization)</u> .
Governmental Authorities	shall mean any (a) nation, state, province, territory, county, municipality, district or other jurisdiction; or (b) body entitled to exercise any executive, legislative, judicial or administrative authority or power.
Guarantor	shall have the meaning given on the cover page of this Agreement.
Holdback Amount	shall have the meaning given in Section 3.4(a).
Initial Consideration	shall have the meaning given in Section 3.1(a).
Intellectual Property Rights	shall mean patents, Trademarks, know how, copyrights, design rights, rights in databases, domain names and other intellectual property rights, whether registered or not.
Jolly Business	shall have the meaning given in Section E of the Preamble.
Jolly Intellectual Property Rights	shall have the meaning given in paragraph (f)(i) of <u>Annex 5.1</u> .

Defined Term	Meaning
Lien	shall mean any lien, charge, encumbrance, security interest, including but not limited to interests arising from options, pledges, mortgages, indentures, security agreements, rights of first refusal or rights of pre-emption, irrespective of whether such Lien arises under any agreement, covenant, other instrument, the mere operation of statutory or other laws or by means of a judgment, order or decree of any court, judicial or administrative authority, and shall also mean any approval or consent required from a third party for the exercise or full vesting of a right or title.
Net Working Capital	shall mean, at the Closing Date, the value of the relevant company's short term assets less such company's short term liabilities as set forth on <u>Annex 3.3(b)</u> with no duplication for cash or debt.
Net Working Capital Target	shall be the amount of EUR 4,991,000 which shall be converted to CHF by using the spot exchange rate quoted by Bloomberg at 5:00 pm (US central time) on the day before the Closing Date.
Material Contract	shall have the meaning given in paragraph (h)(i) of <u>Annex 5.1</u> .
Notice of Breach	shall have the meaning given in Section 6.1.1(a).
Notice of Objection	shall have the meaning given in Section 3.3(c).
Parent Company	shall have the meaning given on the cover page of this Agreement.
Party(ies)	shall have the meaning given on the cover page of this Agreement.
Permits	shall have the meaning given in paragraph (k) of <u>Annex 5.1</u>
Permitted Lien	shall mean (i) any Lien for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings, (ii) any statutory Lien arising in the ordinary course of business by operation of law and Liens for Taxes

Defined Term	Meaning
	with respect to an obligation or liability that is not yet due or delinquent or that may thereafter be paid without penalty.
Person	shall mean any natural person, corporation, general or limited partnership, business trust, a limited liability company, a trust, an unincorporated organization doing business, a government or any department or agency thereof, a joint venture or any other person or entity doing business.
Policies	shall have the meaning given in paragraph (i)(i) of <u>Annex 5.1</u> .
Purchase Price	shall have the meaning given in Section 3.1.
Qualifying Claim	shall have the meaning given in Section 6.1.6(a).
Restricted Activity	shall mean any work, business or activity in the field of the manufacture and/or distribution of professional footwear in the territory of the European Union, Switzerland or in the United States of America.
Restricted Party	shall have the meaning given on the cover page of this Agreement.
RON	shall mean Romanian leu, being the lawful currency of Romania.
Section	shall mean a section of this Agreement.
Seller	shall have the meaning given on the cover page of this Agreement.
Seller's Knowledge	shall mean the actual knowledge of Mr. Matthias Aerni.
Shares 1	shall have the meaning given in Section C of the Preamble.
Shares 2	shall have the meaning given in Section D of the Preamble.

Defined Term	Meaning
Share(s)	shall have the meaning given in Section D of the Preamble.
Shortfall	shall mean the amount, if any, by which the Estimated Adjustment Amount is greater than the Final Adjustment Amount
Surplus	shall mean the amount, if any, by which the Final Adjustment Amount is greater than the Estimated Adjustment Amount
Tax(es)	shall mean all taxes, including income taxes (personal or corporate), capital taxes, stamp duties (both on the issuance and on the transfer of securities), transfer taxes, withholding taxes, value added taxes, sales and use taxes, customs duties, business taxes and all other taxes, duties and levies payable to any competent authority in any jurisdiction, social security contributions as well as any interest, penalties, costs and expenses resulting from or arising out therefrom or relating thereto.
Threshold Amount	shall have the meaning given in Section 6.1.6(a).
Trademark	shall mean trade names, business names, trade dress rights, registered and unregistered trademarks and service marks and logos, and any applications therefore, together with all translations, adaptations, derivations and combinations and like intellectual property rights
VAT	shall mean Value Added Tax.

Annex 3.2(b) – Estimated Closing Accounts and Estimated Closing Statement

Estimated Adjustment Amount

	EUR
Estimated Net Working Capital	4,695,527
(-) Net Working Capital Target	4,991,000
Net Working Capital Surplus/(Shortfall)	(295,473)
(+) Estimated Cash	3,671,216
(-) Estimated Debt	4,208,154
Adjustment Amount	(832,411)

Net Working Capital Estimate for Closing Day

EUR in 000s

Quarterly net working capital

Closing Estimate		
	Inventory	5,331
	Trade receivables	1,810
	Trade payables	(3,077)
	Advances suppliers/(customers)	11
	TWC	4,075
	Other assets	454
	Other liabilities	(559)
	NWC	3,970
<u>(Debt)/cash like items</u>		
	CIT	
1	payables/(receivables)	196
2	Factoring	[+]
	Minerva capex	
3	payable	500
	Overdue trade	
4	payables	83
	Total	779
<u>Other adjustments</u>		
5	DTA	(53)
	Profit in	
6	stock	[-]
	Total	(53)
Adjusted NWC		
		4,696.527

Annex 3.3(b) – Example Calculation Adjustment Amount

Illustrative Calculation of Adjustment Amount	
	EUR
Estimated Cash / Closing Cash	3,671,216
(-) Estimated Debt / Closing Debt	(-) 4,208,154
(+) Estimated Net Working Capital / Closing Net Working Capital	(+) 4,695,527
(-) Net Working Capital Target	(-) 4,991,000
(=) Estimated Adjustment Amount / Adjustment Amount*	(-) 832,411

For payment purposes the **Estimated Adjustment Amount** and Adjustment Amount will be converted to CHF by using the spot exchange rate quoted by Bloomberg at 5:00 pm (US central time) on the day before the Closing Date

* pro memoria: the Adjustment Amount to become the Final Adjustment Amount once finally determined as set forth in Section 3.3(i).

Illustrative Calculation of Surplus / Shortfall	
	EUR
Final Adjustment Amount	[tbd]
(-) Estimated Adjustment Amount	(-) 832,411
if positive number: Surplus (to be paid by Buyer)	(+) [tbd]
if negative number: Shortfall (to be paid by Seller)	(-) [tbd]

Net Working Capital in Euros (000's)		L6M	L12M
Inventory		6,075	6,971
Trade receivables		1,401	1,254
Trade payables		(3,082)	(3,424)
Advances suppliers/(customers)		13	11
TWC		4,408	4,813
Other assets		456	1,068
Other liabilities		(478)	(381)
NWC		4,385	5,499
<u>(Debt)/cash like items</u>			
1	CIT payables/(receivables)	87	47
2	Factoring	[+]	[+]
3	Minerva capex payable	500	500
4	Overdue trade payables	72	40
Total		659	588
<u>Other adjustments</u>			
5	DTA	(75)	(86)
6	Profit in stock	[-]	[-]
Total		(53)	(53)
Adjusted NWC		4,991	6,034
		Proposed Target of 4,991	

Annex 5.1 – Representations and Warranties of Seller

Subject to the limitations set forth in the Agreement, Seller hereby represents and warrants to Buyer at and as of the date of this Agreement the following:

(a) Ownership and Qualification

- (i) Each Company is duly incorporated, organized and validly existing under the laws of its place of incorporation and has full corporate power and authority to own or use its assets and properties and to conduct its business as the same is presently being conducted.
- (ii) Seller is the sole legal and beneficial owner of the Shares, free and clear of any Liens. There are no outstanding options, warrants, calls, rights or commitments, or any other agreements of any character relating to the sale, issuance or voting of, or the granting of rights to acquire, any of the Shares.
- (iii) The Shares are validly issued and fully paid in and the share capital has not been repaid in whole or in part.
- (iv) Neither Company holds shares, interests or other participations in any other Person.

(b) Due Authorization

- (i) Seller has the absolute and unrestricted right, power, authority and capacity and has received all the necessary approvals from its corporate bodies to execute this Agreement and to perform its respective obligations hereunder. There are no limitations under applicable law and the constituting documents of Seller, or any contracts by which Seller is bound that would prevent Seller from entering into or performing its obligations under this Agreement.
- (ii) The Seller requires no authorizations, permits or consents from any governmental or administrative authority, or any third party (including without limitation any shareholders or creditors of Seller) for the consummation of the transactions contemplated by this Agreement other than as set out herein.
- (iii) There are no actions, suits or proceedings pending against Seller or any of Seller's Affiliates before any court or administrative authority, agency or commission which involve a claim by a governmental or regulatory authority, or by a third party, which would operate to hinder or substantially impair the consummation of the transactions contemplated by this Agreement. Seller has no knowledge of any actions, suits or proceedings in accordance with the preceding sentence which have been threatened in writing to be filed or instituted against Seller or any of Seller's Affiliates.

(c) Financial Statements

- (i) The financial statements of Company 1 as at 31 December 2023 have been properly prepared in accordance with Accounting Principles, preserving continuity, and reflect accurately the business events for Company 1 as at 31 December 2022 and the results of the operations for the financial period then ended.
- (ii) The financial statements for Company 2 as at 31 December 2023 have been properly prepared in accordance with Accounting Principles, preserving continuity, and reflect accurately the business events for the Company 2 as at 31 December 2023 and the results of the operations for the financial period then ended.
- (iii) Since 1 January 2024 the Companies have carried out the Jolly Business in the ordinary course of business, consistent with prior practice.

(d) Taxes

All tax returns required to be filed before the Closing for Taxes payable or reimbursable by a Company have been timely filed. All such tax returns (i) have been prepared in the manner required by applicable law, (ii) are true, correct and complete in all material respects, and (iii) accurately reflect the liability for Taxes of the Companies in all material respects. All Taxes due on or before 31 December 2022 have been timely paid or fully reserved against in the financial statements of the respective Company.

(e) Fixed Assets

The fixed assets held by the Companies are in good working order (ordinary wear and tear accepted), have been maintained in accordance with normal practice, are safe to operate in accordance with their current practice, subject to continued repair and replacement in accordance with past practices, and are not subject to any Liens or agreements to create Liens (in either case other than the Permitted Liens).

(f) Intellectual Property Rights

- (i) All Trademarks registered in the name of one of the Companies are listed in Annex 5.1(f)(i) (the **Jolly Intellectual Property Rights**).
- (ii) To Seller's knowledge, no claims (1) that are still pending or (2) that have a negative impact on the Jolly Business or the Jolly Intellectual Property Rights post-Closing, have been made or threatened in writing challenging the validity or enforceability of the Jolly Intellectual Property Rights. All registration fees now due and payable to obtain and maintain the Jolly Intellectual Property Rights have been paid.

- (iii) To Seller's Knowledge the operation of the Jolly Business as currently being operated and the use of the Jolly Intellectual Property Rights does not infringe any Intellectual Property Rights of any third party and, to Seller's Knowledge, no third party has claimed in writing that the conduct of the Jolly Business as presently being conducted infringes upon any Intellectual Property Rights of any other Person.
- (g) Employment
- (i) Except as otherwise provided for by applicable mandatory law, no employee of the Companies has a notice period longer than six (6) months, nor is there a termination compensation payable for termination on due notice which would exceed the equivalent of 6 months' salary. There are no material salary increases or other amendments to the terms of the employment resolved but not yet implemented other than in the ordinary course of business and in compliance with mandatory law.
 - (ii) There are no employment or labor related actions, suits or proceedings pending against or threatened in writing against the Companies or in which the Companies are otherwise involved before any court, arbitral tribunal, administrative board, agency or commission involving an amount in dispute exceeding CHF 50,000.
- (h) Material Contracts
- (i) The Disclosure Documents contain all material contracts of the Companies (the **Material Contracts**), which:
 - (1) contain any covenant prohibiting or materially limiting the right to compete in any line of business pertaining to the Jolly Business;
 - (2) contain any agreement or series of agreements which provide for an aggregate liability of more than CHF 250,000;
 - (3) contain any agreement that involves performance of services or delivery of goods of an amount or value in excess of CHF 500,000;
 - (4) contain any provision which refers to a change of control;
 - (5) relate to the acquisition or disposal of a material portion of the Companies since 2020 for a consideration of CHF 500,000 or more;
 - (6) are joint venture, shareholder's alliance or other form of cooperation agreements with third parties providing for an aggregate liability in excess of CHF 500,000; or
 - (7) are not terminable on less than six (6) months' notice without compensation exceeding CHF 100,000.

- (ii) To Seller's Knowledge as of the date hereof, the Material Contracts are valid and enforceable, the Companies have performed all material obligations arising out of such contracts and no notice of termination has been received or given in writing. To Seller's Knowledge the counterparties have performed all material obligations arising out of the Material Contracts and no grounds for early or extraordinary termination exist.
- (i) Insurance
 - (i) All premiums due and payable as of the date hereof on all current insurance contracts (the **Policies**) entered into by the Companies, have been duly paid as of the date hereof. The Policies are in full force and effect and are not void or voidable by the insurer.
 - (ii) There is no material claim outstanding under, or in respect of the validity of, any of the Policies, all material claims have been settled in full and, so far as Seller is aware, there are no circumstances that exist which are likely to give rise to any claim under any of the Policies. Since 2020, there have been no material claims as to which insurance coverage has been denied.
- (j) Litigation
 - (i) There are no actions, suits or proceedings pending or threatened in writing against any Company before any court, arbitral tribunal, administrative board, agency or commission which involve a claim by a governmental or regulatory authority, or by a third party, of an amount in dispute exceeding CHF 100,000.
 - (ii) The Companies are not the subject of any investigation, inquiry or enforcement proceedings by any governmental, administrative or regulatory body which is or may be materially adverse to the operation of the Jolly Business, and, as far as Seller is aware, no such investigation, inquiry or enforcement proceedings have been threatened against any Company.
- (k) Compliance

To Seller's Knowledge the Companies comply in all material respects with applicable laws, regulations and governmental, regulatory and other permits, licenses, authorizations, approvals and consents. The Companies possess all governmental, regulatory and other permits, licenses, authorizations, approvals, identification numbers and consents necessary to carry out the Jolly Business as presently conducted (the **Permits**). All such Permits are, to Seller's Knowledge, valid and have not expired.

Product Warranty and Liability

The Companies have not directly or indirectly manufactured, processed, sold or supplied any products which do not comply with the warranties or representations given by Seller or which do not comply with applicable laws, regulations and standards

or otherwise give rise to any product liability claim by any customer or any third party in respect thereof.

(l) Pensions and Employee Benefit Matters; Social Security

- (i) Except as otherwise provided for by applicable mandatory law, there are no employment or benefit agreements, plans or arrangements entitling any employee of a Company to severance or other payments upon a change of control of the Companies.
- (ii) No severance benefits will become payable to any employee under any applicable agreement or legal requirement in connection with the execution and implementation of this Agreement and the transactions contemplated hereby.
- (iii) All social security, pension fund, benefit plan or similar payments due as at 31 December 2022 in favour of the employees of the Company under the law or any benefit plans (collectively, the **Employee Benefit Plans**) have been fully paid or provisioned in the respective statutory balance sheet. All contributions required to be made as at 31 December 2022 under the terms of the law (as regards social security) or any such Employee Benefit Plan have been timely made or have been adequately provisioned in the respective statutory financial statements.

(m) Disclosure

The Disclosure Documents were produced in good faith by Seller for the purpose of assisting Buyer in its due diligence investigation and evaluation of the transactions contemplated by the Agreement and contain all information which Seller in good faith believes to be material for a reasonable buyer in taking the decision to acquire the Companies. The Disclosure Documents made available to Buyer are true and correct in all material respects.

Annex 5.2 – Representations and Warranties of Buyer

Subject to the limitations set forth in the Agreement, Buyer hereby represents and warrants to Seller at and as of the date of this Agreement the following:

- (n) Buyer is a corporation duly organized and validly existing under the laws of the United Kingdom and has full corporate power, authority and necessary governmental approvals to own or use its assets and properties and to conduct its business as the same is presently being conducted.
- (o) Buyer has the absolute and unrestricted right, power, authority and capacity and has received all the necessary approvals from its corporate bodies to execute this Agreement and to perform its respective obligations hereunder. There are no limitations under applicable law and the constituting documents of Buyer, or any contracts by which Buyer is bound that would prevent Buyer from entering into or performing its obligations under this Agreement.
- (p) No authorizations, permits or consents are required from any governmental or administrative authority, or any third party (including without limitation any shareholders or creditors of Buyer) for the consummation of the transactions contemplated by this Agreement other than as set out herein.
- (q) There are no actions, suits or proceedings pending against Buyer or any of Buyer's Affiliates before any court or administrative authority, agency or commission which involve a claim by a governmental or regulatory authority, or by a third party, which would operate to hinder or substantially impair the consummation of the transactions contemplated by this Agreement. Buyer has no knowledge of any actions, suits or proceedings in accordance with the preceding sentence which have been threatened in writing to be filed or instituted against Buyer or any of Buyer's Affiliates.
- (r) Buyer has arranged that on the Closing Date it will have the necessary funds to finance the transactions contemplated by this Agreement. The funds which Buyer shall use to finance the present transaction originate from legal sources and the use of such funds in the present transaction does not violate any applicable laws of any relevant jurisdiction.



AMENDMENT NO. 2 TO LOAN AGREEMENT

This Amendment No. 2 to Loan Agreement (the "Amendment") dated as of March 3, 2023, is between Bank of America, N.A. (the "Bank") and Lakeland Industries, Inc., a Delaware corporation (the "Borrower").

RECITALS

A. The Bank and the Borrower entered into a certain Loan Agreement dated as of June 25, 2020, as amended by that certain Amendment No. 1 to Loan Agreement dated as of June 18, 2021 (together with any previous amendments, the "Agreement").

B. The Bank and the Borrower desire to amend the Agreement. This Amendment shall be effective on March 3, 2023, subject to any conditions stated in this Amendment.

AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meaning given to them in the Agreement.

2. Amendments. The Agreement is hereby amended as follows:

2.1 Paragraph 2.5 is hereby amended to read in its entirety as follows:

"2.5 Interest Rate

- (a) The interest rate is a rate per year equal to the sum of (i) the greater of Daily SOFR or the Index Floor, plus (ii) one and a quarter percentage points. For the purposes of this paragraph, "Index Floor" means one percent.
- (b) Daily SOFR is a fluctuating rate of interest which can change on each banking day. "Daily SOFR" means the rate per annum equal to SOFR determined for any day pursuant to the definition thereof plus the SOFR Adjustment. Any change in Daily SOFR shall be effective from and including the date of such change without further notice. At any time Daily SOFR is less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. For purposes of this paragraph only:
 - (i) "SOFR" means, for each day any Daily SOFR Portion is outstanding, the Secured Overnight Financing Rate published on such date by the SOFR Administrator on the Federal Reserve Bank of New York's website (or any successor source); provided however that if such determination date is not a U.S. Government Securities Business Day, then SOFR means such rate that applied on the first U.S. Government Securities Business Day immediately prior thereto.

- (ii) "SOFR Adjustment" means with respect to Daily SOFR, 0.11448% per annum.
- (iii) "SOFR Administrator" means the Federal Reserve Bank of New York, as the administrator of SOFR, or any successor administrator of SOFR designated by the Federal Reserve Bank of New York or other person acting as the SOFR Administrator at such time.
- (iv) "U.S. Government Securities Business Day" means any banking day, except any banking day on which any of the Securities Industry and Financial Markets Association, the New York Stock Exchange or the Federal Reserve Bank of New York is not open for business because such day is a legal holiday under the federal laws of the United States or the laws of the State of New York, as applicable."

2.2 Paragraph 2.9 is hereby added to read as follows:

"2.9 Successor Rate.

If at any time an interest rate index provided for in this Agreement (a "Reference Rate") is not available at such time for any reason or the Bank makes the determination to incorporate or adopt a new interest rate index to replace such Reference Rate in credit agreements, then the Bank may replace such Reference Rate with an alternate interest rate index and adjustment, if applicable, as reasonably selected by the Bank, giving due consideration to any evolving or then existing conventions for such interest rate index and adjustment (any such successor interest rate index, as adjusted, the "Successor Rate"). In connection with the implementation of any Successor Rate, the Bank will have the right, from time to time, in good faith to make any conforming, technical, administrative or operational changes to this Agreement as may be appropriate to reflect the adoption and administration thereof and, notwithstanding anything to the contrary herein or in any other loan document, any amendments to this Agreement implementing such conforming changes will become effective upon notice to the Borrower without any further action or consent of the other parties hereto. If at any time any Successor Rate is less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding the foregoing, any conforming, technical, administrative or operational changes described in this Section 2.9 and the Successor Rate shall be substantially consistent with other changes and the Successor Rate made with Bank's similarly-situated Borrowers "

2.3 Paragraph 4.8 is hereby amended to read in its entirety as follows below:

"4.8 Intentionally Deleted."

3. Representations and Warranties. When the Borrower signs this Amendment, the Borrower represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Agreement except those events, if any, that have been disclosed in writing to the Bank or waived in writing by the Bank, (b) the representations and warranties in the Agreement are true as of the date of this Amendment as if made on the date of this Amendment, (c) this Amendment does not conflict with any law, agreement, or obligation by which the Borrower is bound, (d) if the Borrower is a business entity or a trust, this Amendment is within the Borrower's powers, has been duly authorized, and does not conflict with any of the Borrower's organizational papers, (e) the information included in the Beneficial Ownership Certification most recently provided to the Bank, if applicable, is true and correct in all respects, and (f) as of the date of this Amendment and throughout the term of the Agreement, no Borrower or Guarantor, if any, is (1) an employee benefit plan subject to Title I of the

Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (2) a plan or account subject to Section 4975 of the Internal Revenue Code of 1986 (the "Code"); (3) an entity deemed to hold "plan assets" of any such plans or accounts for purposes of ERISA or the Code; or (4) a "governmental plan" within the meaning of ERISA.

4. Conditions. The effectiveness of this Amendment is conditioned upon the Bank's receipt of the following items, in form and content acceptable to the Bank:

4.1 A fully executed counterpart of this Amendment from the Borrower and each guarantor and/or collateral pledgor (collectively, a "Credit Support Provider") in form satisfactory to the Bank.

4.2 KYC Information.

(a) Upon the request of the Bank, the Borrower shall have provided to the Bank, and the Bank shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act.

(b) If the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, it shall have provided a Beneficial Ownership Certification to the Bank if so requested.

4.3 If the Borrower or any Credit Support Provider is anything other than a natural person, evidence that the execution, delivery and performance by the Borrower and/or such Credit Support Provider of this Amendment and any instrument or agreement required under this Amendment have been duly authorized.

4.5 Payment by the Borrower of all costs, expenses and attorneys' fees (including allocated costs for in-house legal services) incurred by the Bank in connection with this Amendment.

5. Effect of Amendment. Except as provided in this Amendment, all of the terms and conditions of the Agreement, including but not limited to any Waiver of Jury Trial or Dispute Resolution Provision contained therein, shall remain in full force and effect. In the event the terms of this Amendment conflict with the terms of the Agreement or any other document executed in connection with the Agreement, the terms of this Amendment will control.

6. Electronic Records and Signatures. This Amendment and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Amendment (each a "Communication"), including Communications required to be in writing, may, if agreed by the Bank, be in the form of an Electronic Record and may be executed using Electronic Signatures, including, without limitation, facsimile or .pdf. The Borrower agrees that any Electronic Signature (including, without limitation, facsimile or .pdf) on or associated with any Communication shall be valid and binding on the Borrower to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered to the Bank. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Bank may, at its option, create one or more copies of any Communication in the form of an imaged Electronic Record ("Electronic Copy"), which shall be deemed created in the ordinary course of the Bank's business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, the Bank is under no obligation to

accept an Electronic Signature in any form or in any format unless expressly agreed to by the Bank pursuant to procedures approved by it; provided, further, without limiting the foregoing, (a) to the extent the Bank has agreed to accept such Electronic Signature, the Bank shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of any Obligor without further verification and (b) upon the request of the Bank any Electronic Signature shall be promptly followed by a manually executed, original counterpart. For purposes hereof, "Electronic Record" and "Electronic Signature" shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

7. FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, UNLESS SUCH COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS EXPRESSLY PROVIDES TO THE CONTRARY, (C) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

[SIGNATURES ON FOLLOWING PAGE]

The parties executed this Amendment as of the date stated at the beginning of this Amendment, intending to create an instrument executed under seal.

Bank:

Bank of America, N.A.

By: Andy Martin, SVP
Name: Andy Martin
Its: Senior Vice President

Borrower:

Lakeland Industries, Inc., a Delaware corporation

By: Allen Dillard (Seal)
Allen E. Dillard, Chief Operating Officer

CONSENT AND REAFFIRMATION
OF PLEDGOR

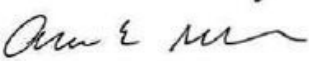
The undersigned (the "Credit Support Provider") is a pledgor of collateral for, the Borrower's obligations to the Bank under the Agreement. The Credit Support Provider hereby (i) acknowledges and consents to the foregoing Amendment, (ii) reaffirms its obligations under any agreement under which it has granted to the Bank a lien or security interest in any of its real or personal property, and (iii) confirms that such agreements, including but not limited to any Waiver of Jury Trial or Dispute Resolution Provision contained therein, remain in full force and effect, without defense, offset, or counterclaim. (Capitalized terms used herein shall have the meanings specified in the foregoing Amendment.)

Although the undersigned has been informed of the terms of the Amendment, the undersigned understands and agrees that the Bank has no duty to so notify it or any other pledgor or to seek this or any future acknowledgment, consent or reaffirmation, and nothing contained herein shall create or imply any such duty as to any transactions, past or future.

Dated as of March 3, 2023.

Credit Support Provider:

Lakeland Industries, Inc.

By:  (Seal)
Allen E. Dillard, Chief Operating Officer



AMENDMENT NO. 3 TO LOAN AGREEMENT

This Amendment No. 3 to Loan Agreement (the "Amendment") dated as of November 29, 2023, is between Bank of America, N.A. (the "Bank") and Lakeland Industries, Inc., a Delaware corporation (the "Borrower").

RECITALS

A. The Bank and the Borrower entered into a certain Loan Agreement dated as of June 25, 2020, as amended by that certain Amendment No. 1 to Loan Agreement dated as of June 18, 2021, and as further amended by that certain Amendment No. 2 to Loan Agreement dated as of March 3, 2023 (together with any previous amendments, the "Agreement").

B. The Bank and the Borrower desire to further amend the Agreement. This Amendment shall be effective on November 29, 2023, subject to any conditions stated in this Amendment.

AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meaning given to them in the Agreement.
2. Consent to Election of Chief Financial Officer. Borrower has elected Roger D. Shannon to serve as its Chief Financial Officer and has requested Bank's consent in connection therewith pursuant to Section 7.11 of the Agreement. Bank is amenable to granting such request, and hereby provides its written consent, provided that Borrower executes and delivers this Amendment and all other documents deemed necessary by Bank.
3. Consent to Acquisition of Pacific Helmets NZ Ltd. Borrower is acquiring one hundred percent (100%) of the equity interest of Pacific Helmets NZ Ltd. and has requested Bank's consent in connection therewith. Bank is amenable to granting such request, and hereby provides its written consent, provided that Borrower executes and delivers this Amendment and all other documents deemed necessary by Bank.
4. Amendments. The Agreement is hereby amended as follows:
 - 4.1 Paragraph 2.1(a) is hereby amended and restated to read in its entirety as follows:

"(a) During the availability period described below, the Bank will provide a line of credit to the Borrower (the "Line of Credit"). The amount of the Line of Credit (the "Commitment") is equal to the lesser of (i) the Credit Limit, or (ii) at any time after January 31, 2024, that the Borrower's Funded Debt to EBITDA Ratio exceeds 2.00:1.00, the Borrowing Base."
 - 4.2 Paragraph 3.1 is hereby amended and restated to read in its entirety as follows:

"3.1 Personal Property.

All personal property and intangibles now owned or owned in the future by

Borrower will secure the Borrower's obligations to the Bank under this Agreement. The collateral is further defined in security agreement(s) executed by the owners of the collateral. Without limiting the generality of the foregoing, the Bank's security interest will include, without limitation, the following:

- (a) Equipment owned by Borrower.
- (b) Inventory owned by Borrower.
- (c) Receivables owned by Borrower.
- (d) Securities or other investment property owned by Borrower as described in the Pledge Agreement required by the Bank.

Regulation U of the Board of Governors of the Federal Reserve System places certain restrictions on loans secured by margin stock (as defined in the Regulation). The Bank and the Borrower shall comply with Regulation U. If any of the collateral is margin stock, the Borrower shall provide to the Bank a Form U-1 Purpose Statement.

- (e) Time deposits with the Bank and owned by Borrower.
- (f) Accounts owned by Borrower."

Notwithstanding anything herein to the contrary, the collateral shall not include any voting stock of any direct subsidiary of Borrower that is a controlled foreign corporation (as defined in Section 957 of the Internal Revenue Code (a "CFC")) in excess of 65% of the total combined voting power of all classes of stock of such CFC that are entitled to vote (within the meaning of Section 1.956-2(c)(2) of the Treasury Regulations).

4.3 Paragraph 7.6 is hereby amended and restated to read in its entirety as follows:

"7.6 Other Debts.

Not to have outstanding or incur any direct or contingent liabilities or lease obligations (other than those to the Bank or to any affiliate of the Bank), or become liable for the liabilities of others, without the Bank's written consent. This does not prohibit:

- (a) Acquiring goods, supplies, or merchandise on normal trade credit.
- (b) Liabilities, lines of credit and leases in existence on the date of Amendment No. 3 to Loan Agreement, dated as of November 29, 2023, executed by Borrower and Bank, disclosed in writing to the Bank in the Borrower's most recent financial statement, or liabilities incurred for financing the acquisition by Borrower of one hundred percent (100%) of the equity interest of Pacific Helmets NZ Ltd. (the "New Zealand Acquisition"), and for general working capital purposes and forward exchanges purposes of Pacific Helmets NZ Ltd.
- (c) Leases of real estate in the ordinary course of business."

4.4 Paragraph 7.7 is hereby amended and restated to read in its entirety as follows:

"7.7 Other Liens.

Not to create, assume, or allow any security interest or lien (including judicial liens) on property the Borrower and each Related Party now or later owns without the Bank's written consent. This does not prohibit:

- (a) Liens and security interests in favor of the Bank or any affiliate of the Bank.
- (b) Liens for taxes not yet due.
- (c) Liens outstanding on the date of this Agreement disclosed in writing to the Bank.
- (d) liens securing debt incurred solely for the purpose of financing the New Zealand Acquisition or for general working capital purposes and forward exchanges purposes arising therefrom."

5. Representations and Warranties. When the Borrower signs this Amendment, the Borrower represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Agreement except those events, if any, that have been disclosed in writing to the Bank or waived in writing by the Bank, (b) the representations and warranties in the Agreement are true in all material respects as of the date of this Amendment as if made on the date of this Amendment (except to the extent expressly made as of another date), (c) this Amendment does not conflict with any law, material agreement, or material obligation by which the Borrower is bound, the violation of which would have a material adverse effect on Borrower, (d) this Amendment is within the Borrower's corporate powers, has been duly authorized, and does not conflict with any of the Borrower's organizational documents, (e) the information included in the Beneficial Ownership Certification most recently provided to the Bank, if applicable, is true and correct in all material respects, and (f) as of the date of this Amendment and throughout the term of the Agreement, no Borrower or Guarantor, if any, is (1) an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (2) a plan or account subject to Section 4975 of the Internal Revenue Code of 1986 (the "Code"); (3) an entity deemed to hold "plan assets" of any such plans or accounts for purposes of ERISA or the Code; or (4) a "governmental plan" within the meaning of ERISA.

6. Conditions. The effectiveness of this Amendment is conditioned upon the Bank's receipt of the following items, in form and content acceptable to the Bank:

6.1 A fully executed counterpart of this Amendment from the Borrower and each guarantor and/or collateral pledgor (collectively, a "Credit Support Provider") in form satisfactory to the Bank.

6.2 KYC Information.

(a) Upon the request of the Bank, the Borrower shall have provided to the Bank, and the Bank shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act.

(b) If the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, it shall have provided a Beneficial Ownership Certification to the Bank if so requested.

6.3 If the Borrower or any Credit Support Provider is anything other than a natural person, evidence that the execution, delivery and performance by the Borrower and/or such Credit Support Provider of this Amendment and any instrument or agreement required under this Amendment have been duly authorized.

6.4 Payment by the Borrower of all costs, expenses and attorneys' fees (including allocated costs for in-house legal services) incurred by the Bank in connection with this Amendment.

7. Effect of Amendment. Except as provided in this Amendment, all of the terms and conditions of the Agreement, including but not limited to any Waiver of Jury Trial or Dispute Resolution Provision contained therein, shall remain in full force and effect. In the event the terms of this Amendment conflict with the terms of the Agreement or any other document executed in connection with the Agreement, the terms of this Amendment will control.

8. Electronic Records and Signatures. This Amendment and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Amendment (each a "Communication"), including Communications required to be in writing, may, if agreed by the Bank, be in the form of an Electronic Record and may be executed using Electronic Signatures, including, without limitation, facsimile and/or .pdf. The Borrower agrees that any Electronic Signature (including, without limitation, facsimile or .pdf) on or associated with any Communication shall be valid and binding on the Borrower to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered to the Bank. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Bank may, at its option, create one or more copies of any Communication in the form of an imaged Electronic Record ("Electronic Copy"), which shall be deemed created in the ordinary course of the Bank's business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, the Bank is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Bank pursuant to procedures approved by it; provided, further, without limiting the foregoing, (a) to the extent the Bank has agreed to accept such Electronic Signature, the Bank shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of any Obligor without further verification and (b) upon the request of the Bank any Electronic Signature shall be promptly followed by a manually executed, original counterpart. For purposes hereof, "Electronic Record" and "Electronic Signature" shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

9. FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, UNLESS SUCH COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS EXPRESSLY PROVIDES TO THE CONTRARY, (C) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

[SIGNATURES ON FOLLOWING PAGE]

The parties executed this Amendment as of the date stated at the beginning of this Amendment, intending to create an instrument executed under seal.

Bank:

Bank of America, N.A.

By:

Name:

Its:

Andy Martin, svp
Andy Martin
Senior Vice President

Borrower:

Lakeland Industries, Inc., a Delaware corporation

By:

Roger D. Shannon, Chief Financial Officer

(Seal)

The parties executed this Amendment as of the date stated at the beginning of this Amendment, intending to create an instrument executed under seal.

Bank:

Bank of America, N.A.

By: _____

Name: _____

Its: _____

Borrower:

Lakeland Industries, Inc., a Delaware corporation

By:  _____ (Seal)
Roger D. Shannon, Chief Financial Officer

CONSENT AND REAFFIRMATION
OF PLEDGOR

The undersigned (the "Credit Support Provider") is a pledgor of collateral for, the Borrower's obligations to the Bank under the Agreement. The Credit Support Provider hereby (i) acknowledges and consents to the foregoing Amendment, (ii) reaffirms its obligations under any agreement under which it has granted to the Bank a lien or security interest in any of its real or personal property, and (iii) confirms that such agreements, including but not limited to any Waiver of Jury Trial or Dispute Resolution Provision contained therein, remain in full force and effect, without defense, offset, or counterclaim. (Capitalized terms used herein shall have the meanings specified in the foregoing Amendment.)

Although the undersigned has been informed of the terms of the Amendment, the undersigned understands and agrees that the Bank has no duty to so notify it or any other pledgor or to seek this or any future acknowledgment, consent or reaffirmation, and nothing contained herein shall create or imply any such duty as to any transactions, past or future.

Dated as of _____ November 29, _____, 2023.

Credit Support Provider:

Lakeland Industries, Inc.

By:  (Seal)
Roger D. Shannon, Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-200422 on Form S-3 and Registration Statement Nos. 333-144870, 333-176733, 333-183882, 333-205836, 333-219084 and 333-259308 on Form S-8 of our reports dated April 10, 2024, relating to the financial statements of Lakeland Industries, Inc. and the effectiveness of Lakeland Industries, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended January 31, 2024.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
April 10, 2024

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James M. Jenkins, certify that:

- 1) I have reviewed this report on Form 10-K of Lakeland Industries, Inc. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
- 4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: April 10, 2024

By: /s/ James M. Jenkins
Acting President and Chief Executive Officer and
Executive Chairman

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Roger D. Shannon, certify that:

- 1) I have reviewed this report on Form 10-K of Lakeland Industries, Inc. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
- 4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: April 10, 2024

By: /s/ Roger D. Shannon
Chief Financial Officer and Secretary

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to 18 USC. § 1350, As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing with the Securities and Exchange Commission of the Annual Report of Lakeland Industries, Inc. (the “Company”) on Form 10-K for the year ended January 31, 2024 (the “Report”), I, James M. Jenkins, Acting President and Chief Executive Officer and Executive Chairman of the Company, certify, pursuant to 18 USC. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the report.

/s/ James M. Jenkins

James M. Jenkins
Acting President and Chief Executive Officer and
Executive Chairman

April 10, 2024

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to 18 USC. § 1350, As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing with the Securities and Exchange Commission of the Annual Report of Lakeland Industries, Inc. (the “Company”) on Form 10-K for the year ended January 31, 2024 (the “Report”), I, Roger D. Shannon, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 USC. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the report.

/s/ Roger D. Shannon

Roger D. Shannon
Chief Financial Officer and Secretary

April 10, 2024

LAKELAND INDUSTRIES, INC.

COMPENSATION RECOUPMENT POLICY

1. Purpose. The purpose of this Policy is to describe the circumstances in which Covered Persons will be required to repay, return, or forfeit Erroneously Awarded Compensation and other Recoverable Amounts to the Company. This Policy shall be interpreted to comply with Rule 10D-1 promulgated under the Securities Exchange Act of 1934, as amended, and the related listing rules of the Exchange, and, to the extent this Policy is deemed inconsistent with such rules in any manner, this Policy shall be treated as retroactively amended to be compliant with such rules. Capitalized terms shall have the meanings ascribed to such terms in Section 3 below. This Policy replaces and supersedes the Company's Clawback Policy adopted and approved by the Board on the Original Adoption Date.

2. Administration. This Policy shall be administered by the Committee. The Committee has full and final authority to make all determinations under this Policy, in each case to the extent permitted under the listing rules of the Exchange and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. Any determinations made by the Committee shall be final and binding on all affected individuals. The Committee has the power, in its sole discretion, to retain or obtain the advice of a compensation consultant, legal counsel or other adviser as it deems necessary or appropriate to carry out its duties under this Policy.

3. Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) **"Accounting Restatement"** shall mean an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(b) **"Board"** shall mean the Board of Directors of the Company.

(c) **"Clawback Eligible Incentive Compensation"** shall mean all Incentive-based Compensation Received by a Covered Executive (i) on or after October 2, 2023, (ii) after beginning service as a Covered Executive, (iii) who served as a Covered Executive at any time during the applicable performance period for such Incentive-based Compensation (whether or not such Covered Executive is serving at the time the Erroneously Awarded Compensation is required to be repaid, returned, or forfeited to the Company Group), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period.

(d) **"Clawback Period"** shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date, including any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

(e) **"Code"** shall mean the U.S. Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder includes such section or regulation, any valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

(f) **"Committee"** shall mean the Compensation Committee (if composed entirely of independent directors) of the Board, or, in the absence of such a committee, a majority of the independent directors serving on the Board.

(g) **"Company"** shall mean Lakeland Industries, Inc., a Delaware corporation.

(h) **"Company Group"** shall mean the Company, together with each of its direct and indirect subsidiaries.

(i) **"Covered Employee"** shall mean each individual who is currently or was previously an employee or director of the Company who has Received Incentive-based Compensation.

(j) **"Covered Executive"** shall mean each individual who is currently or was previously designated as an "officer" of the Company in accordance with Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended.

(k) **"Covered Person"** shall mean each Covered Employee and each Covered Executive.

(l) **"Effective Date"** shall mean October 2, 2023.

(m) **"Erroneously Awarded Compensation"** shall mean, with respect to each Covered Executive in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation Received that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid. For Incentive-based Compensation based on (or derived from) stock price or total stockholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total stockholder return upon which the Incentive-based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Exchange). With respect to any compensation plans or programs of the Company Group that take into account Incentive-based Compensation, the amount of Erroneously Awarded Compensation subject to recovery (or, to the extent such amount has not yet been paid, forfeiture) under this Policy includes, but is

(n) “**Exchange**” shall mean a national securities exchange or national securities association on which the Company has listed securities.

(o) “**Financial Reporting Measure**” shall mean a measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any other measure that is derived wholly or in part from such measure. Stock price and total stockholder return (and any measure that is derived wholly or in part from stock price or total stockholder return) shall be considered Financial Reporting Measures for purposes of this Policy. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(p) “**Incentive-based Compensation**” shall mean any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(q) “**Original Adoption Date**” shall mean June 15, 2021.

(r) “**Policy**” shall mean this Compensation Recoupment Policy, as the same may be amended and/or restated from time to time.

(s) “**Received**” shall, with respect to any Incentive-based Compensation, mean deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if payment or grant of the Incentive-based Compensation occurs after the end of that period (subject to applicable law, including any Incentive-based Compensation the payment of which has been deferred). For the avoidance of doubt, Incentive-based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant Financial Reporting Measure is achieved, even if the Incentive-based Compensation continues to be subject to the service-based vesting condition.

(t) “**Recoverable Amounts**” shall mean all Incentive-based Compensation Received by a Covered Employee (i) on or after the Original Adoption Date, (ii) who served as a Covered Employee at any time during the applicable performance period for such Incentive-based Compensation (whether or not such Covered Employee is serving at the time the Recoverable Amounts are required to be repaid, returned, or forfeited to the Company Group), and (iii) during the applicable Clawback Period. “Recoverable Amounts” shall not include any Erroneously Awarded Compensation that has been recouped by the Company pursuant to this Policy.

(u) “**Restatement Date**” shall mean the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

(v) “**SEC**” shall mean the U.S. Securities and Exchange Commission.

4. Recovery of Erroneously Awarded Compensation and Recoverable Amounts.

(a) **Mandatory Recoupment of Erroneously Awarded Compensation.** In the event that the Company is required to prepare an Accounting Restatement, the Company must recover, reasonably promptly, Erroneously Awarded Compensation Received by any Covered Executive during the applicable Clawback Period, in amounts determined by the Committee pursuant to this Policy. The Company’s obligation to recover Erroneously Awarded Compensation is not dependent on if or when the Company files restated financial statements. Recovery under this Policy with respect to a Covered Executive shall not require the finding of any misconduct by such Covered Executive or such Covered Executive being found responsible for the accounting error leading to an Accounting Restatement. In the event of an Accounting Restatement, the Committee shall determine, in its sole and absolute discretion, the timing and method for promptly recovering Erroneously Awarded Compensation hereunder, including, without limitation, the cancellation of or offsetting against any planned future cash or equity-based awards, to the extent permitted under the listing rules of the Exchange and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code.

(b) **Exceptions.** Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 4(a) above to the extent that one or more of the following conditions are met and the Committee determines that recovery would therefore be impracticable:

(i) The direct expense paid to a third party to assist in enforcing this Policy against a Covered Employee would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such attempts and provided such documentation to the Exchange; or

(ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of any member of the Company Group, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

(c) Discretionary Recoupment of Recoverable Amounts. In the event that the Company is required to prepare an Accounting Restatement, the Company may, in the Committee's sole discretion, recover up to all Recoverable Amounts Received by any Covered Employee during the applicable Clawback Period, in amounts determined by the Committee pursuant to this Policy based on the particular facts and circumstances surrounding the Accounting Restatement and the Covered Employee's relative role and responsibilities. The Company's ability to recover Recoverable Amounts under this Section 4(c) is not dependent on if or when the Company files restated financial statements. The Committee shall determine, in its sole and absolute discretion, the timing and method for promptly recovering Recoverable Amounts hereunder, including, without limitation, the cancellation of or offsetting against any planned future cash or equity-based awards, to the extent permitted under the listing rules of the Exchange and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code.

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5. Reporting and Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including the disclosures required by applicable SEC filings.

6. Indemnification Prohibition. No member of the Company Group shall be permitted to indemnify any Covered Person against the loss of any Erroneously Awarded Compensation or Recoverable Amounts that are repaid, returned, recovered, or forfeited pursuant to the terms of this Policy, including any payment or reimbursement for the cost of third-party insurance purchased by a Covered Person to cover such losses incurred under this Policy. Further, no member of the Company Group shall enter into any agreement that exempts any Incentive-based Compensation from the application of this Policy or that waives the Company Group's right to recovery of any Erroneously Awarded Compensation or Recoverable Amounts, and this Policy shall supersede any such agreement (whether entered into before, on, or after the Effective Date).

7. Interpretation. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy.

8. Effective Date. This Policy shall be effective as of the Effective Date.

9. Amendment; Termination. The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws, SEC rules, or the listing rules of the Exchange. The Board may terminate this Policy at any time. Notwithstanding anything in this Section 9 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rules, or the listing rules of the Exchange.

10. Acknowledgment; Benefits Conditioned on Agreeing to this Policy. Each Covered Person shall be required to sign and return to the Company, within sixty (60) calendar days following the later of (i) the Effective Date of this Policy or (ii) the date the individual becomes a Covered Person, the Acknowledgment Form attached hereto as Exhibit A, pursuant to which such Covered Person will agree to be bound by the terms of this Policy. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with a Covered Person shall be deemed to include, as a condition to the grant or receipt of any benefit thereunder, an agreement by the Covered Person to abide by, and for such Covered Person and his/her Incentive-based Compensation to be subject to, the terms of this Policy. For the avoidance of doubt, each Covered Person will be fully bound by, and must comply with, this Policy, whether or not such Covered Person has executed and returned such Acknowledgment Form to the Company.

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11. Other Recoupment Rights; Company Claims. The Board intends that this Policy will be applied to the fullest extent of the law. This Policy should be considered as a supplement to any other clawback policy in effect now or in the future at the Company or any other member of the Company Group, and if such other policy provides that a greater amount of compensation shall be subject to clawback, such other policy shall apply to the amount in excess of the amount subject to clawback under this Policy. Any right of recoupment (or right to apply a forfeiture) under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment (or forfeiture) that may be available to the Company Group under applicable law, regulation, or rule or pursuant to the terms of any similar policy in any employment agreement, compensation plan or program, award agreement, or similar document and any other legal remedies available to the Company Group, in each case to the extent permitted under the listing rules of the Exchange and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. Nothing contained in this Policy, and no recoupment, recovery, or forfeiture as contemplated by this Policy, shall limit any claims, damages, or other legal remedies the Company Group may have against a Covered Person arising out of or resulting from any actions or omissions by the Covered Person.

12. Successors. This Policy shall be binding and enforceable against all Covered Persons and their beneficiaries, heirs, executors, administrators or other legal representatives.

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Exhibit A

Lakeland Industries, Inc.
Compensation Recoupment Policy

ACKNOWLEDGMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Lakeland Industries, Inc. Compensation Recoupment Policy (the “**Policy**”). Capitalized terms used but not otherwise defined in this Acknowledgment Form (this “**Acknowledgment Form**”) shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgment Form, the undersigned acknowledges and agrees that the undersigned and the undersigned’s Incentive-based Compensation are and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned’s employment with any member of the Company Group. In the event of any inconsistency or conflict between the Policy and any prior, existing or future employment agreement, compensation plan or program, award agreement or similar document to which the undersigned is or becomes a party or that otherwise is or becomes applicable to the undersigned (collectively, “**compensation arrangements**”), the undersigned acknowledges and agrees that the Policy shall govern such compensation arrangements, and all such compensation arrangements are hereby automatically deemed amended to the extent necessary to give effect to the Policy. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by (i) waiving any rights to indemnification or any claim to insurance under a policy paid for by the Company, in either case in connection with the recovery of Erroneously Awarded Compensation or Recoverable Amounts under the Policy, and (ii) returning any Erroneously Awarded Compensation or Recoverable Amounts to the extent required by the Policy.

Signature: _____

Print Name: _____

Date: _____