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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-38880

Whole Earth Brands, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**38-4101973** (I.R.S. Employer Identification No.)
125 S. Wacker Drive, Suite 1250 **Chicago, Illinois**	**60606**
(Address of Principal Executive Offices)	(Zip Code)

(312) 840-6000

(Registrant's telephone number, including area code)

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, par value $0.0001 per share	FREE	The NASDAQ Stock Market LLC
Warrants to purchase one-half of one share of common stock	FREEW	The NASDAQ Stock Market LLC

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 non-accelerated 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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☒

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

As of August 5, 2022, there were 41,973,680 shares of the registrant's common stock, par value $0.0001 per share, issued and outstanding.

WHOLE EARTH BRANDS, INC.

Quarterly Report on Form 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Whole Earth Brands, Inc.
Condensed Consolidated Financial Statements (Unaudited)

For the Quarter Ended June 30, 2022

Whole Earth Brands, Inc.
Condensed Consolidated Balance Sheets
(In thousands of dollars, except for share and per share data)
(Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	$ 27,621	$ 28,296
Accounts receivable (net of allowances of $1,383 and $1,285, respectively)	72,112	69,590
Inventories	228,074	212,930
Prepaid expenses and other current assets	10,356	7,585
Total current assets	338,163	318,401
Property, Plant and Equipment, net	57,087	58,503
Other Assets		
Operating lease right-of-use assets	23,365	26,444
Goodwill	237,238	242,661
Other intangible assets, net	253,484	266,939
Deferred tax assets, net	2,006	1,993
Other assets	9,335	7,638
Total Assets	$ 920,678	$ 922,579
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 57,624	$ 55,182
Accrued expenses and other current liabilities	24,498	30,733
Contingent consideration payable	—	54,113
Current portion of operating lease liabilities	8,308	7,950
Current portion of long-term debt	3,750	3,750
Total current liabilities	94,180	151,728
Non-Current Liabilities		
Long-term debt	432,314	383,484
Warrant liabilities	394	2,053
Deferred tax liabilities, net	32,190	35,090
Operating lease liabilities, less current portion	18,652	22,575
Other liabilities	13,604	13,778
Total Liabilities	591,334	608,708
Commitments and Contingencies (Note 8)	—	—
Stockholders' Equity		
Preferred shares, $0.0001 par value; 1,000,000 shares authorized; none issued and outstanding at June 30, 2022 and December 31, 2021	—	—
Common stock, $0.0001 par value; 220,000,000 shares authorized; 41,973,680 and 38,871,646 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	4	4
Additional paid-in capital	359,095	330,616
Accumulated deficit	(22,384)	(26,436)
Accumulated other comprehensive income (loss)	(7,371)	9,687
Total stockholders' equity	329,344	313,871
Total Liabilities and Stockholders' Equity	$ 920,678	$ 922,579

See Notes to Unaudited Condensed Consolidated Financial Statements

Whole Earth Brands, Inc.
Condensed Consolidated Statements of Operations
(In thousands of dollars, except for share and per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Product revenues, net	$ 133,503	$ 126,493	$ 264,095	$ 232,318
Cost of goods sold	96,189	85,138	187,223	155,312
Gross profit	37,314	41,355	76,872	77,006
Selling, general and administrative expenses	24,960	27,828	52,748	60,735
Amortization of intangible assets	4,664	4,706	9,369	8,857
Restructuring and other expenses	—	2,846	—	4,503
Operating income	7,690	5,975	14,755	2,911
Change in fair value of warrant liabilities	193	(241)	1,054	(2,603)
Interest expense, net	(6,428)	(6,396)	(12,460)	(11,474)
Loss on extinguishment and debt transaction costs	—	—	—	(5,513)
Other income, net	697	190	2,653	500
Income (loss) before income taxes	2,152	(472)	6,002	(16,179)
Provision (benefit) for income taxes	826	(4,167)	1,950	(7,849)
Net income (loss)	$ 1,326	$ 3,695	$ 4,052	$ (8,330)
Net earnings (loss) per share:				
Basic	$ 0.03	$ 0.10	$ 0.10	$ (0.22)
Diluted	$ 0.03	$ 0.09	$ 0.10	$ (0.22)

See Notes to Unaudited Condensed Consolidated Financial Statements

Whole Earth Brands, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands of dollars)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net income (loss)	$ 1,326	$ 3,695	$ 4,052	$ (8,330)
Other comprehensive income (loss), net of tax:				
Net change in pension benefit obligations recognized, net of taxes of $6, $(13), $(66) and $(13), respectively	17	(46)	(207)	(37)
Foreign currency translation adjustments	(14,848)	5,322	(16,851)	3,275
Total other comprehensive income (loss), net of tax	(14,831)	5,276	(17,058)	3,238
Comprehensive income (loss)	$ (13,505)	$ 8,971	$ (13,006)	$ (5,092)

See Notes to Unaudited Condensed Consolidated Financial Statements

Whole Earth Brands, Inc.
Condensed Consolidated Statements of Equity
(In thousands of dollars)
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Income	Equity
Balance at December 31, 2020	38,426,669	$ 4	$ 325,679	$ (25,442)	$ 8,605	$ 308,846
Reclassification of Private Warrants (Note 1)	—	—	(7,062)	(1,077)	—	(8,139)
Transfer of Private Warrants to Public Warrants	—	—	2,502	—	—	2,502
Net loss	—	—	—	(12,025)	—	(12,025)
Other comprehensive loss, net of tax	—	—	—	—	(2,038)	(2,038)
Stock-based compensation	—	—	1,639	—	—	1,639
Balance at March 31, 2021	38,426,669	4	322,758	(38,544)	6,567	290,785
Net income	—	—	—	3,695	—	3,695
Other comprehensive income, net of tax	—	—	—	—	5,276	5,276
Stock-based compensation	—	—	2,392	—	—	2,392
Net share settlements of stock-based awards	29,090	—	—	—	—	—
Balance at June 30, 2021	38,455,759	$ 4	$ 325,150	$ (34,849)	$ 11,843	$ 302,148

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Income	Equity
Balance at December 31, 2021	38,871,646	$ 4	$ 330,616	$ (26,436)	$ 9,687	$ 313,871
Transfer of Private Warrants to Public Warrants	—	—	605	—	—	605
Net income	—	—	—	2,726	—	2,726
Other comprehensive loss, net of tax	—	—	—	—	(2,227)	(2,227)
Stock-based compensation	—	—	1,354	—	—	1,354
Net share settlements of stock-based awards	146,444	—	(291)	—	—	(291)
Shares issued for payment of contingent consideration	2,659,574	—	23,936	—	—	23,936
Balance at March 31, 2022	41,677,664	4	356,220	(23,710)	7,460	339,974
Transfer of Private Warrants to Public Warrants	—	—	—	—	—	—
Net income	—	—	—	1,326	—	1,326
Other comprehensive loss, net of tax	—	—	—	—	(14,831)	(14,831)
Stock-based compensation	—	—	1,564	—	—	1,564
Net share settlements of stock-based awards	92,253	—	(91)	—	—	(91)
Net share settlements under management bonus plan	203,763	—	1,402	—	—	1,402
Balance at June 30, 2022	41,973,680	$ 4	$ 359,095	$ (22,384)	$ (7,371)	$ 329,344

See Notes to Unaudited Condensed Consolidated Financial Statements

Whole Earth Brands, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands of dollars)
(Unaudited)

	Six Months Ended	
	June 30, 2022	June 30, 2021
Operating activities		
Net income (loss)	$ 4,052	$ (8,330)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation	3,214	4,464
Depreciation	2,916	2,120
Amortization of intangible assets	9,369	8,857
Deferred income taxes	(1,857)	808
Amortization of inventory fair value adjustments	(2,537)	1,727
Non-cash loss on extinguishment of debt	—	4,435
Change in fair value of warrant liabilities	(1,054)	2,603
Changes in current assets and liabilities:		
Accounts receivable	(4,785)	(4,891)
Inventories	(16,800)	(8,142)
Prepaid expenses and other current assets	(1,017)	762
Accounts payable, accrued liabilities and income taxes	(1,741)	(14,895)
Other, net	(1,783)	1,028
Net cash used in operating activities	(12,023)	(9,454)
Investing activities		
Capital expenditures	(4,440)	(4,624)
Acquisitions, net of cash acquired	—	(186,601)
Proceeds from the sale of fixed assets	50	4,257
Net cash used in investing activities	(4,390)	(186,968)
Financing activities		
Proceeds from revolving credit facility	50,000	25,000
Repayments of revolving credit facility	—	(47,855)
Long-term borrowings	—	375,000
Repayments of long-term borrowings	(1,875)	(137,438)
Debt issuance costs	(672)	(11,589)
Payment of contingent consideration	(29,108)	—
Tax withholdings related to net share settlements of stock awards	(862)	—
Net cash provided by financing activities	17,483	203,118
Effect of exchange rate changes on cash and cash equivalents	(1,745)	460
Net change in cash and cash equivalents	(675)	7,156
Cash and cash equivalents, beginning of period	28,296	16,898
Cash and cash equivalents, end of period	$ 27,621	$ 24,054
Supplemental disclosure of cash flow information		
Interest paid	$ 11,511	$ 10,037
Taxes paid, net of refunds	$ 5,757	$ 4,364
Supplemental disclosure of non-cash investing		
Non-cash capital expenditures	$ —	$ 3,554

See Notes to Unaudited Condensed Consolidated Financial Statements

Whole Earth Brands, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Whole Earth Brands, Inc. and its consolidated subsidiaries ("Whole Earth Brands" or the "Company") is a global industry-leading platform, focused on the "better for you" consumer packaged goods ("CPG") and ingredients space. The Company has a global platform of branded products and ingredients, focused on the consumer transition towards natural alternatives and clean label products.

On June 24, 2020, Act II Global Acquisition Corp., a Cayman Islands exempted company ("Act II"), domesticated into a Delaware corporation (the "Domestication"), and on June 25, 2020 (the "Closing"), consummated the indirect acquisition (the "Business Combination") of (i) all of the issued and outstanding equity interests of Merisant Company ("Merisant"), Merisant Luxembourg Sarl ("Merisant Luxembourg"), Mafco Worldwide LLC ("Mafco Worldwide"), Mafco Shanghai LLC ("Mafco Shanghai"), EVD Holdings LLC ("EVD Holdings"), and Mafco Deutschland GmbH (together with Merisant, Merisant Luxembourg, Mafco Worldwide, Mafco Shanghai, and EVD Holdings, and their respective direct and indirect subsidiaries, "Merisant and Mafco Worldwide"), and (ii) certain assets and liabilities of Merisant and Mafco Worldwide included in the Transferred Assets and Liabilities (as defined in the Purchase Agreement (as hereafter defined)), from Flavors Holdings Inc. ("Flavors Holdings"), MW Holdings I LLC ("MW Holdings I"), MW Holdings III LLC ("MW Holdings III"), and Mafco Foreign Holdings, Inc. ("Mafco Foreign Holdings," and together with Flavors Holdings, MW Holdings I, and MW Holdings III, the "Sellers"), pursuant to that certain Purchase Agreement (the "Purchase Agreement") entered into by and among Act II and the Sellers dated as of December 19, 2019, as amended. In connection with the Domestication, Act II changed its name to "Whole Earth Brands, Inc."

Upon the completion of the Domestication, each of Act II's then-issued and outstanding ordinary shares converted, on a one-for-one basis, into shares of common stock of Whole Earth Brands. In conjunction with the Business Combination, the Company issued an aggregate of 7,500,000 shares of Whole Earth Brands common stock and 5,263,500 private placement warrants (the "Private Warrants") exercisable for 2,631,750 shares of Whole Earth Brands common stock to certain investors. On the date of Closing, the Company's common stock and warrants began trading on The Nasdaq Stock Market under the symbols "FREE" and "FREEW," respectively.

As a result of the Business Combination, for accounting purposes, Act II was deemed to be the acquirer and Mafco Worldwide and Merisant Company were deemed to be the acquired parties.

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial reporting. The balance sheet data as of December 31, 2021 was derived from the audited consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated and combined financial statements for the year ended December 31, 2021 included in the Company's Annual Report on Form 10-K.

In the opinion of management, the financial statements contain all adjustments necessary to state fairly the financial position of the Company as of June 30, 2022 and the results of operations and cash flows for all periods presented. All adjustments in the accompanying unaudited condensed consolidated financial statements, which management believes are necessary to state fairly the financial position, results of operations and cash flows, have been reflected and are of a normal recurring nature. Results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Principles of Consolidation—The condensed consolidated financial statements include the accounts of Whole Earth Brands, Inc., and its indirect and wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Whole Earth Brands, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Recently Adopted Accounting Pronouncements—The Company qualifies as an emerging growth company (an "EGC") and as such, has elected the extended transition period for complying with certain new or revised accounting pronouncements. During the extended transition period, the Company is not subject to certain new or revised accounting standards applicable to public companies. The accounting pronouncements pending adoption below reflect effective dates for the Company as an EGC with the extended transition period.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Accounting Standards Codification "ASC" 740) - Simplifying the Accounting for Income Taxes." The standard enhances and simplifies various aspects of the income tax accounting guidance. For public entities, the standard is effective for annual periods and interim periods beginning after December 15, 2020. This standard is effective for the Company as an EGC for the fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company adopted this standard on January 1, 2022. The adoption of this standard did not have a material impact on the Company's unaudited condensed consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." Subject to meeting certain criteria, the new guidance provides optional expedients and exceptions to applying contract modification accounting under existing U.S. GAAP, to address the expected phase out of the London Inter-bank Offered Rate ("LIBOR") by the end of 2021. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The new standard was effective upon issuance and upon adoption can be applied prospectively to applicable contract modifications made on or before December 31, 2022. The Company adopted this standard during the second quarter of 2022. The adoption of this standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

Accounting Standards Not Yet Adopted—In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)." The standard requires entities to estimate losses on financial assets measured at amortized cost, including trade receivables, debt securities and loans, using an expected credit loss model. The expected credit loss differs from the previous incurred losses model primarily in that the loss recognition threshold of "probable" has been eliminated and that expected loss should consider reasonable and supportable forecasts in addition to the previously considered past events and current conditions. Additionally, the guidance requires additional disclosures related to the further disaggregation of information related to the credit quality of financial assets by year of the asset's origination for as many as five years. Entities must apply the standard provision as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. This standard is effective for the Company as an EGC for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU 2016-13 on its consolidated financial statements.

Restructuring and Employee Termination Benefits—During 2020, the Company adopted restructuring plans to streamline processes and realize cost savings by consolidating facilities and eliminating various positions in operations and general and administrative areas.

In connection with the restructuring plans, the Company recognized restructuring and other expenses of $2.8 million and $4.5 million for the three and six months ended June 30, 2021, primarily consisting of facility exit and other related costs. During the six months ended June 30, 2022, the Company paid employee termination benefits of $0.2 million. The Company had accrued severance expense related to the restructuring plans of $0.6 million and $0.8 million at June 30, 2022 and December 31, 2021, respectively, which is recorded in accrued expenses and other current liabilities in its unaudited condensed consolidated balance sheets.

Warrant Liabilities—The Company accounts for the Private Warrants in accordance with ASC Topic 815, "Derivatives and Hedging." Under the guidance contained in ASC Topic 815-40, the Private Warrants do not meet the criteria for equity treatment and must be recorded as liabilities. Accordingly, the Company classifies the Private Warrants as liabilities at their fair value and adjusts the warrants to fair value at each reporting period. The liability is subject to re-measurement at each balance sheet date, and any change in fair value is recognized in the Company's statement of operations. The Private Warrants are valued using a Black-Scholes option pricing model.

Whole Earth Brands, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Based on the views expressed in the SEC's Staff Statement of April 12, 2021 in which the SEC staff clarified its interpretations of certain generally accepted accounting principles related to certain terms common in warrants issued by Special Purpose Acquisition Companies ("SPACs"), the Company determined that the Private Warrants should be treated as derivative liabilities rather than as components of equity, as previously presented as of December 31, 2020. Accordingly, the Company recorded out of period adjustments to the unaudited Condensed Consolidated Balance Sheet at January 1, 2021 to reclassify warrant liabilities of $8.1 million and transaction costs incurred by Act II of $1.1 million related to the issuance of the Private Warrants. Additionally, during the first quarter of 2021, the Company recognized the cumulative effect of the error on prior periods by recording a $1.2 million gain in the Statement of Operations to reflect the cumulative decrease in the fair value of the Private Warrants from the date of issuance through December 31, 2020. The Company concluded that this misstatement was not material to the current period or the previously filed financial statements.

NOTE 2: BUSINESS COMBINATIONS

Wholesome Acquisition—On December 17, 2020, the Company entered into a stock purchase agreement (the "Wholesome Purchase Agreement") with WSO Investments, Inc. ("WSO Investments" and together with its subsidiaries, "Wholesome" and affiliates). WSO Investments is the direct parent of its wholly-owned subsidiary Wholesome Sweeteners, Incorporated, which was formed to import, market, distribute, and sell organic sugars, unrefined specialty sugars, and related products. Wholesome is included within the Company's Branded CPG reportable segment. Wholesome's results are included in the Company's consolidated statement of operations from the date of acquisition.

On February 5, 2021, pursuant to the terms of the Wholesome Purchase Agreement, the Company purchased and acquired all of the issued and outstanding shares of capital stock for an initial cash purchase price of $180 million plus up to an additional $55 million (the "Earn-Out Amount") upon the satisfaction of certain post-closing financial metrics. Subject to the terms and conditions of the Wholesome Purchase Agreement payment of the Earn-Out Amount, in whole or in part, was subject to Wholesome achieving certain EBITDA thresholds at or above approximately $30 million during the period beginning August 29, 2020, and ending December 31, 2021 (the "Earn-Out Period"). A portion of the Earn-Out Amount (up to $27.5 million) could be paid, at the Company's election, in freely tradeable, registered shares of Company common stock calculated using the 20-day volume weighted average trading price per share as of the date of determination. Calculation of the achievement of the Earn-Out Amount was subject to certain adjustments more thoroughly described in the Wholesome Purchase Agreement. In connection with the acquisition of Wholesome, the Company incurred transaction-related costs of $0.2 million in the three months ended June 30, 2021 and $0.2 million and $4.6 million in the six months ended June 30, 2022 and 2021, respectively.

Following the completion of the Earn-Out Period, the Company determined, in accordance with the terms of the Purchase Agreement, that the sellers were entitled to receive the Earn-Out Amount in full. The Company elected to satisfy part of the Earn-Out Amount in common stock and on February 23, 2022, issued 2,659,574 shares of the Company's common stock. The remaining $30 million portion of the $55 million Earn-Out Amount was paid in cash which was funded from available capacity under the Company's revolving credit facility. The settlement of the earn-out resulted in a non-cash gain of $1.1 million that was recorded in the first quarter of 2022 which represents the difference in the value of the common stock issued using the 20-day volume weighted average trading price per share as compared to the trading price on the date of issuance.

The following summarizes the purchase consideration (in thousands):

Base cash consideration	$	180,000
Closing adjustment		13,863
Fair value of Earn-Out Amount		52,395
Total Purchase Price	$	246,258

Whole Earth Brands, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The Company recorded the fair value of the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed as follows (in thousands):

Cash and cash equivalents	$	2,664
Accounts receivable		15,868
Inventories		76,879
Prepaid expenses and other current assets		1,322
Property, plant and equipment, net		3,134
Operating lease right-of-use assets		7,585
Intangible assets		104,500
Other assets		1,189
Total assets acquired		213,141
Accounts payable		5,251
Accrued expenses and other current liabilities		10,576
Current portion of operating lease liabilities		1,435
Operating lease liabilities, less current portion		6,150
Deferred tax liabilities, net		24,234
Total liabilities assumed		47,646
Net assets acquired		165,495
Goodwill		80,763
Total Purchase Price	$	246,258

The values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets		**Fair Value (in thousands)**	**Useful Life (in years)**
Customer relationships	$	55,700	10
Tradenames		48,800	25
	$	104,500	

Goodwill represents the excess of the purchase price over the estimated fair value assigned to tangible and identifiable intangible assets acquired and liabilities assumed and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and expected future market opportunities. Of the purchase price allocated to goodwill, a total of $4.7 million will be deductible for income tax purposes pursuant to IRC Section 197 over a 9-year period.

The Company's allocation of purchase price was based upon valuations performed to determine the fair value of the net assets as of the acquisition date and was subject to adjustments for up to one year after the closing date of the acquisition to reflect final valuations. The allocation of purchase price was finalized in the first quarter of 2022.

In 2021, the Company recorded measurement period adjustments to its initial allocation of purchase price as a result of ongoing valuation procedures on assets and liabilities assumed, including (i) an increase in purchase price of $3.6 million due to the finalization of the closing adjustment; (ii) a decrease to inventory of $1.8 million; (iii) an increase in prepaid expenses and other current assets of $0.5 million; (iv) an increase in property, plant and equipment of $0.4 million; (v) a decrease to intangible assets of $1.9 million; (vi) a decrease to other assets of $0.1 million; (vii) a decrease to accrued expenses and other current liabilities of $2.7 million; (viii) a decrease to deferred tax liabilities, net of $2.8 million; and (ix) an increase to goodwill of $1.0 million due to the incremental measurement period adjustments discussed in items (i) through (viii). The impact of measurement period adjustments to the results of operations was immaterial.

Whole Earth Brands, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The results of the Company's operations for the three and six months ended June 30, 2021 include the results of Wholesome since February 5, 2021. Product revenues, net and operating income of Wholesome included in the Company's condensed consolidated statement of operations for the three months ended June 30, 2021 was $44.6 million and $3.4 million, respectively, and for the six months ended June 30, 2021 was $72.2 million and $5.1 million, respectively.

Pro Forma Financial Information—The following unaudited pro forma financial information summarizes the results of operations of the Company for the three and six months ended June 30, 2021 as though the Wholesome acquisition had occurred on January 1, 2020 (in thousands):

	Pro Forma Statement of Operations	
	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Revenue	$ 126,493	$ 252,698
Net income	$ 4,967	$ 1,105

The unaudited pro forma financial information does not assume any impacts from revenue, cost or other operating synergies that could be generated as a result of the acquisition. The unaudited pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved had the Wholesome acquisition been consummated on January 1, 2020.

The pro forma financial information for the three and six months ended June 30, 2021 includes adjustments to reflect intangible asset amortization based on the economic values derived from definite-lived intangible assets, interest expense on the new debt financing, and the release of the inventory fair value adjustments into cost of goods sold. These adjustments are net of taxes. The results of the Company's operations for the three and six months ended June 30, 2022 include Wholesome for the entire period and therefore pro forma financial information is not required.

NOTE 3: INVENTORIES

Inventories consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Raw materials and supplies	$ 134,536	$ 129,712
Work in process	2,974	1,480
Finished goods	90,564	81,738
Total inventories	$ 228,074	$ 212,930

Whole Earth Brands, Inc.
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NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consisted of the following (in thousands):

	June 30, 2022			December 31, 2021		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Other intangible assets subject to amortization						
Customer relationships (useful life of 5 to 10 years)	$ 105,265	$ (20,232)	$ 85,033	$ 106,013	$ (14,478)	$ 91,535
Tradenames (useful life of 25 years)	169,727	(11,976)	157,751	173,522	(8,818)	164,704
Total	$ 274,992	$ (32,208)	242,784	$ 279,535	$ (23,296)	256,239
Other intangible assets not subject to amortization						
Product formulations			10,700			10,700
Total other intangible assets, net			253,484			266,939
Goodwill			237,238			242,661
Total goodwill and other intangible assets			$ 490,722			$ 509,600

At June 30, 2022 and December 31, 2021, goodwill at Branded CPG was $233.6 million and $238.9 million, respectively. Goodwill at Flavors & Ingredients was $3.7 million and $3.8 million at June 30, 2022 and December 31, 2021, respectively.

The amortization expense for intangible assets was $4.7 million and $9.4 million for the three and six months ended June 30, 2022, respectively, and $4.7 million and $8.9 million for the three and six months ended June 30, 2021, respectively.

Amortization expense relating to amortizable intangible assets as of June 30, 2022 for the next five years is expected to be as follows (in thousands):

Remainder of 2022	$ 9,361
2023	18,721
2024	18,721
2025	18,488
2026	18,267
2027	17,040

NOTE 5: DEBT

Debt consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Term loan, due February 2028	$ 370,313	$ 372,187
Revolving credit facility, due February 2026	75,000	25,000
Less: current portion	(3,750)	(3,750)
Less: unamortized discount and debt issuance costs	(9,249)	(9,953)
Total long-term debt	$ 432,314	$ 383,484

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At December 31, 2021, the Company's senior secured loan agreement consisted of a senior secured term loan facility (the "Term Loan Facility") of $375 million and a revolving credit facility of up to $75 million (the "Revolving Facility," and together with the Term Loan Facility, the "Credit Facilities"). At December 31, 2021, there were $2.1 million of outstanding letters of credit that reduced the Company's availability under the revolving credit facility. The Company's unamortized discounts and debt issuance costs related to the Term Loan Facility and the Revolving Facility were $10.0 million and $1.8 million, respectively, at December 31, 2021. The unamortized debt issuance costs related to the Revolving Facility are included in other assets in the condensed consolidated balance sheet. See Note 7 to the Company's consolidated and combined financial statements in its Annual Report on Form 10-K for the year ended December 31, 2021 for further information and significant terms and conditions associated with the Term Loan Facility and Revolving Facility.

In connection with the closing of the Wholesome Transaction, on February 5, 2021, the Company and certain of its subsidiaries entered into an amendment and restatement agreement (the "Amended and Restated Agreement") which amended and restated its then existing senior secured loan agreement dated as of June 25, 2020. As of the date of the Amended and Restated Agreement, the aggregate unamortized debt issuance costs totaled $6.2 million, of which $4.4 million was expensed as a loss on extinguishment of debt in the first quarter of 2021. Additionally, in connection with the Amended and Restated Credit Agreement, the Company paid fees to certain lenders of $3.8 million, which was considered a debt discount, all of which was deferred, and incurred transaction costs of $8.9 million, of which $7.8 million was deferred and $1.1 million was expensed as part of loss on extinguishment and debt transaction costs in the first quarter of 2021.

As further described in Note 2, following the completion of the Wholesome Earn-Out Period, the Company determined, in accordance with the terms of the Purchase Agreement, that the sellers were entitled to receive the Earn-Out Amount in full. The Company elected to satisfy part of the Earn-Out Amount in common stock and on February 23, 2022, issued 2,659,574 shares of the Company's common stock. The remaining $30 million portion of the $55 million Earn-Out Amount was paid in cash which was funded from available capacity under the Company's revolving credit facility.

On June 15, 2022, the Company and certain of its subsidiaries entered into a first amendment (the "Amendment") to the Amended and Restated Agreement dated as of February 5, 2021. The Amendment increased the aggregate principal amount of the Revolving Credit Facility from $75 million to $125 million (the "Amended Revolving Credit Facility") and transitioned from LIBOR to Secured Overnight Financing Rate ("SOFR") as the benchmark for purposes of calculating interest for all loans outstanding under the Amended and Restated Credit Agreement. At the election of the Company, loans outstanding under the Amended and Restated Credit Agreement will accrue interest at a rate per annum equal to (i) term SOFR plus 0.10%, 0.15%, or 0.25% in case of, respectively, a one-month, three-month, or six-month interest period ("Adjusted Term SOFR"), or (ii) the greater of the prime rate, the federal funds effective rate plus 0.50%, and one-month Adjusted Term SOFR plus 1.00%, in each case plus the applicable margin which is equal to (i) with respect to Amended Revolving Credit Facility and letters of credit, (A) 2.75%, in the case of base rate advances, and (B) 3.75% in the case of SOFR advances, and (ii) with respect to the Term Loan Facility, (A) 3.50%, in the case of base rate advances, and (B) 4.50% in the case of SOFR advances. In connection with the Amendment, the Company paid fees and incurred transaction costs of $0.7 million, all of which was deferred.

The transition to SOFR did not materially impact the interest rates applied to the Company's borrowings. No other material changes were made to the terms of the Company's Amended and Restated Agreement as a result of the Amendment.

At June 30, 2022, the Company's senior secured loan agreement consisted of the Term Loan Facility and the Amended Revolving Credit Facility. At June 30, 2022, there were $2.1 million of outstanding letters of credit that reduced the Company's availability under the Amended Revolving Credit Facility. The Company's unamortized discounts and debt issuance costs related to the Term Loan Facility and the Amended Revolving Credit Facility were $9.2 million and $2.2 million, respectively, at June 30, 2022. The unamortized debt issuance costs related to the Amended Revolving Credit Facility are included in other assets in the Company's condensed consolidated balance sheets.

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NOTE 6: WARRANTS

As of the date of the Business Combination, the Company had approximately 20,263,500 warrants outstanding, consisting of (i) 15,000,000 public warrants originally sold as part of the units issued in Act II's initial public offering (the "Public Warrants") and (ii) 5,263,500 Private Warrants that were sold by Act II to the PIPE Investors in conjunction with the Business Combination (collectively with the Public Warrants, the "Warrants"). Each warrant is exercisable for one-half of one share of the Company's common stock at a price of $11.50 per whole share, subject to adjustment. Warrants may only be exercised for a whole number of shares as no fractional shares will be issued. As of June 30, 2022 and December 31, 2021, the Company had 19,491,320 and 18,929,880 Public Warrants outstanding, respectively, and 771,980 and 1,333,420 Private Warrants outstanding, respectively.

There were no Warrants exercised for shares of the Company's common stock in the six months ended June 30, 2022 and 2021.

NOTE 7: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures and records in its consolidated financial statements certain assets and liabilities at fair value. ASC Topic 820 "Fair Value Measurement and Disclosures," establishes a fair value hierarchy for instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's own assumptions (unobservable inputs). This hierarchy consists of the following three levels:

- Level 1 – Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.
- Level 2 – Assets and liabilities whose values are based on inputs other than those included in Level 1, including quoted market prices in markets that are not active; quoted prices of assets or liabilities with similar attributes in active markets; or valuation models whose inputs are observable or unobservable but corroborated by market data.
- Level 3 – Assets and liabilities whose values are based on valuation models or pricing techniques that utilize unobservable inputs that are significant to the overall fair value measurement.

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

Current Assets and Other Financial Assets and Liabilities—Cash and cash equivalents, trade accounts receivable and trade accounts payable are measured at carrying value, which approximates fair value because of the short-term maturities of these instruments.

Contingent Consideration Payable—The Company measured the contingent consideration payable at fair value. The fair value of the contingent consideration utilized Level 3 inputs as it is based on significant inputs not observable in the market as of December 31, 2021, such as projected financial information and discount rate.

Debt—The Company measures its term loan and revolving facilities at original carrying value, net of unamortized deferred financing costs and fees. At June 30, 2022, the estimated fair value of the term loan was $349.9 million as compared to a carrying value of $361.1 million. At December 31, 2021, the estimated fair value of the term loan approximated the carrying value of $362.2 million. The estimated fair value of the outstanding principal balance of the term loan utilized Level 2 inputs as it is based on quoted market prices for identical or similar instruments. The fair value of the revolving facility at both June 30, 2022 and December 31, 2021 approximated carrying value.

Warrant Liabilities—The Company classifies its Private Warrants as liabilities in accordance with ASC Topic 815. The Company estimates the fair value of the Private Warrants using a Black-Scholes options pricing model. The fair value of the Private Warrants utilized Level 3 inputs as it is based on significant inputs not observable in the market as of June 30, 2022 and December 31, 2021.

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The fair value of the Private Warrants was estimated at June 30, 2022 and December 31, 2021 using a Black-Scholes options pricing model and the following assumptions:

Input	June 30, 2022	December 31, 2021
Asset price	$ 6.20	$ 10.74
Exercise price	$ 11.50	$ 11.50
Risk-free interest rate	2.99%	1.04%
Expected volatility	48.0%	41.0%
Expected term (years)	2.99	3.49
Dividend yield	0.0%	0.0%

The fair value of warrant liabilities as of June 30, 2022 was $0.4 million. The changes in the warrant liabilities during the six months ended June 30, 2022 were as follows (in thousands):

Fair value of warrant liabilities as of December 31, 2021	$ 2,053
Transfer of Private Warrants to Public Warrants	(605)
Change in fair value of warrant liabilities in Q1 2022	(861)
Fair value of warrant liabilities as of March 31, 2022	587
Change in fair value of warrant liabilities in Q2 2022	(193)
Fair value of warrant liabilities as of June 30, 2022	$ 394

NOTE 8: COMMITMENTS AND CONTINGENCIES

The Company is subject to various claims, pending and possible legal actions for product liability and other damages, and other matters arising out of the conduct of the business. The Company believes, based on current knowledge and consultation with counsel, that the outcome of such claims and actions will not have a material adverse effect on the Company's condensed consolidated financial position or results of operations.

NOTE 9: INCOME TAXES

The Company's provision for income taxes consists of U.S., state and local, and foreign taxes. The Company has significant operations in various locations outside the U.S. The annual effective tax rate is a composite rate reflecting the earnings in the various locations at their applicable statutory tax rates.

The Company's income tax provision was $0.8 million for the three months ended June 30, 2022. The effective tax rate for the three months ended June 30, 2022 was an income tax provision of 38.4% on pre-tax income of $2.2 million which differs from the statutory federal rate of 21% primarily due to state and local taxes, non-deductible permanent differences, limited benefit on current year interest deductions and losses in certain jurisdictions, the change in the fair value of warrant liabilities, foreign income at different rates and the U.S. tax effect of international operations including Global Intangible Low-Taxed Income ("GILTI") recorded during the period.

The Company's income tax provision was $2.0 million for the six months ended June 30, 2022. The effective tax rate for the six months ended June 30, 2022 was an income tax provision of 32.5% on pre-tax income of $6.0 million which differs from the statutory federal rate of 21% primarily due to state and local taxes, non-deductible permanent differences, limited benefit on current year interest deductions and losses in certain jurisdictions, the change in the fair value of warrant liabilities, foreign income at different rates and the U.S. tax effect of international operations including GILTI recorded during the period.

The Company's income tax benefit was $4.2 million for the three months ended June 30, 2021, which includes a discrete income tax benefit of $4.2 million related to the receipt of a beneficial tax ruling in Switzerland which allows for future amortization deductions, the reversal of uncertain tax position liabilities as a result of the lapse of applicable statute of limitations, partially offset by a deferred tax provision related to a tax law change in the United Kingdom which was enacted during the quarter ended June 30, 2021. The effective tax rate for the three months ended June 30, 2021 was an income tax benefit of 882.8% on a pre-tax loss of $0.5 million which differs from the statutory federal rate of 21% primarily due to these discrete tax items.

The Company's income tax benefit was $7.8 million for the six months ended June 30, 2021, which includes a discrete income tax benefit of $4.3 million including the $4.2 million benefit recorded in the three months ended June 30, 2021 described above. The effective tax rate for the six months ended June 30, 2021 was an income tax benefit of 48.5% on a pre-tax loss of $16.2 million. The effective tax rate differs from the federal rate of 21% primarily due to these discrete tax benefits.

At both June 30, 2022 and December 31, 2021, the Company had an uncertain tax position liability of $0.2 million, including interest and penalties. The unrecognized tax benefits include amounts related primarily to various state and foreign tax issues.

NOTE 10: PENSION BENEFITS

Certain current and former employees of the Company are covered under a funded qualified defined benefit retirement plan. Plan provisions covering certain of the Company's salaried employees generally provide pension benefits based on years of service and compensation. Plan provisions covering certain of the Company's union members generally provide stated benefits for each year of credited service. The Company's funding policy is to contribute annually the statutory required amount as actuarially determined. The Company froze the pension plan on December 31, 2019. In addition, the Company has unfunded non-qualified plans covering certain salaried employees with additional retirement benefits in excess of qualified plan limits imposed by federal tax law. The Company uses December 31 as a measurement date for the plans.

In February 2021, the Compensation Committee approved the termination of the Company's qualified defined benefit retirement plan at Flavors & Ingredients. During the fourth quarter of 2021, the Company offered the option of receiving a lump sum payment to certain participants with vested benefits in lieu of receiving monthly annuity payments. Approximately 125 participants elected to receive the settlement, and lump sum payments of approximately $16.8 million were paid from plan assets to these participants in December 2021. The benefit obligation settled approximated payments to plan participants and a pre-tax settlement gain of $0.5 million was recorded in the fourth quarter of 2021.

On February 11, 2022, the Company purchased non-participating annuity contracts to settle the remaining liabilities of the plan for approximately $9.5 million which was fully funded by plan assets. The annuity contracts purchased resulted in a settlement gain of approximately $1.0 million that was recorded in the first quarter of 2022. The remaining surplus of the plan will be used, as prescribed in the applicable regulations, to fund future contributions to the defined contribution plan at Flavors & Ingredients. At June 30, 2022, the remaining surplus of the plan was approximately $2.6 million.

The components of net periodic benefit cost (credit) for the Company's defined benefit pension plans was as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Service cost	$ 10	$ 16	$ 20	$ 32
Interest cost	67	260	194	519
Expected return on plan assets	112	(400)	59	(799)
Recognized actuarial loss	—	9	—	18
Settlement gain	(126)	—	(1,143)	—
Net periodic benefit cost (credit)	$ 63	$ (115)	$ (870)	$ (230)

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Net periodic benefit cost (credit) is reflected in the Company's condensed consolidated financial statements as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Selling, general and administrative expense	$ 10	$ 16	$ 20	$ 32
Other income, net	53	(131)	(890)	(262)
Net periodic benefit cost (credit)	$ 63	$ (115)	$ (870)	$ (230)

NOTE 11: STOCK-BASED COMPENSATION

On June 24, 2020, the Whole Earth Brands, Inc. 2020 Long-Term Incentive Plan (the "Plan") was approved for the purpose of promoting the long-term financial interests and growth of the Company and its subsidiaries by attracting and retaining management and other personnel and key service providers. The Plan provides for the granting of stock options ("SOs"), stock appreciation rights ("SARs"), restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance shares, performance share units ("PSUs") and other stock-based awards to officers, employees and non-employee directors of, and certain other service providers to, the Company and its subsidiaries. These awards are settled in shares of the Company's stock and therefore classified as equity awards. Under the terms of the Plan an aggregate of 9,300,000 shares of common stock are authorized for issuance under the Plan.

RSUs generally vest ratably on the anniversary of the grant date over a period of one to three years, depending on the specific terms of each RSU agreement.

PSU awards generally cliff vest subsequent to the completion of a cumulative three-year performance period, depending on the period specified in each respective PSU agreement. The number of PSUs that ultimately vest depends on the Company's performance relative to specified three-year cumulative financial targets established for each grant and are expected to be settled in stock.

Stock-based compensation expense for the three and six months ended June 30, 2022 was $1.6 million and $3.2 million, respectively. Stock-based compensation expense for the three and six months ended June 30, 2021 was $2.8 million and $4.5 million, respectively. Stock-based compensation expense for the three and six months ended June 30, 2021 includes $0.4 million of expense related to 2021 management bonuses that were settled in stock during the second quarter of 2022.

A summary of activity and weighted average fair values related to the RSUs is as follows:

	Six Months Ended June 30, 2022	
	Shares	Weighted Average Grant Date Fair Value (per share)
Outstanding at December 31, 2021	484,744	$ 13.46
Granted	548,521	7.32
Vested	(188,759)	13.58
Forfeited	(11,094)	12.79
Outstanding and nonvested at June 30, 2022	833,412	$ 9.40

A summary of activity and weighted average fair values related to the RSAs is as follows:

	Six Months Ended June 30, 2022	
	Shares	Weighted Average Grant Date Fair Value (per share)
Outstanding at December 31, 2021	117,801	$ 9.76
Granted	82,615	6.96
Vested	(68,946)	8.34
Outstanding and nonvested at June 30, 2022	131,470	$ 8.75

A summary of activity and weighted average fair values related to the PSUs is as follows:

	Six Months Ended June 30, 2022	
	Shares	Weighted Average Grant Date Fair Value (per share)
Outstanding at December 31, 2021	282,141	$ 13.65
Granted	569,989	6.71
Forfeited	(11,654)	12.89
Outstanding and nonvested at June 30, 2022	840,476	$ 8.95

As of June 30, 2022, the Company had not yet recognized compensation costs on nonvested awards as follows (in thousands):

	Unrecognized Compensation Cost	Weighted Avg. Remaining Recognition Period (in years)
Nonvested awards	$ 13,848	1.93

NOTE 12: EARNINGS PER SHARE

Basic earnings (loss) per common share ("EPS") is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Warrants issued are not considered outstanding at the date of issuance. RSUs and RSAs also are not considered outstanding until they have vested. Contingently issuable shares associated with outstanding PSUs that have cliff vesting based on achievement of a performance condition were not included in the earnings per share calculations for the periods presented as the applicable vesting conditions had not been satisfied.

Diluted EPS is calculated by dividing net income (loss) by the weighted average shares outstanding assuming dilution. Dilutive common shares outstanding is computed using the treasury stock method and reflects the additional shares that would be outstanding if dilutive warrants were exercised and restricted stock units and restricted stock awards were settled for common shares during the period.

For warrants that are liability-classified, during the periods when the impact would be dilutive, the Company assumes share settlement of the instruments as of the beginning of the reporting period and adjusts the numerator to remove the change in the fair value of warrant liability and adjusts the denominator to include the dilutive shares using the treasury stock method.

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The computation of basic and diluted earnings (loss) per common share is shown below (in thousands, except for share and per share data):

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
EPS numerator:				
Net income (loss) attributable to common shareholders	$ 1,326	$ 3,695	$ 4,052	$ (8,330)
EPS denominator:				
Weighted average shares outstanding - basic	41,918,403	38,458,278	40,973,101	38,444,590
Effect of dilutive securities	—	1,697,471	26,578	—
Weighted average shares outstanding - diluted	41,918,403	40,155,749	40,999,679	38,444,590
Net earnings (loss) per share:				
Basic	$ 0.03	$ 0.10	$ 0.10	$ (0.22)
Diluted	$ 0.03	$ 0.09	$ 0.10	$ (0.22)

For the three months ended June 30, 2022, 20,263,300 warrants, 833,412 RSUs, and 131,470 RSAs were excluded from the diluted EPS calculation because they were determined to be anti-dilutive. For the six months ended June 30, 2022, 20,263,300 warrants and 833,412 RSUs were excluded from the diluted EPS calculation because they were determined to be anti-dilutive. For the three months ended June 30, 2021, 415,896 warrants were excluded from the diluted EPS calculation because they were determined to be anti-dilutive. For the six months ended June 30, 2021, 20,263,500 warrants, 1,140,149 RSUs, and 68,946 RSAs were excluded from the diluted EPS calculation because they were determined to be anti-dilutive. Additionally, at June 30, 2022 and June 30, 2021, 840,476 and 322,533 PSUs, respectively, were excluded from the diluted EPS calculations because they are subject to performance conditions that were not satisfied.

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NOTE 13: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes accumulated other comprehensive income (loss) ("AOCI"), net of taxes, by component (in thousands):

	Net Currency Translation Gains (Losses)	Funded Status of Benefit Plans	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2020	$ 7,774	$ 831	$ 8,605
Other comprehensive loss before reclassifications	(2,047)	—	(2,047)
Amounts reclassified from AOCI	—	9	9
Balance at March 31, 2021	5,727	840	6,567
Other comprehensive income (loss) before reclassifications	5,322	(55)	5,267
Amounts reclassified from AOCI	—	9	9
Balance at June 30, 2021	$ 11,049	$ 794	$ 11,843
Balance at December 31, 2021	$ 8,758	$ 929	$ 9,687
Other comprehensive loss before reclassifications	(2,003)	—	(2,003)
Amounts reclassified from AOCI	—	(224)	(224)
Balance at March 31, 2022	6,755	705	7,460
Other comprehensive loss before reclassifications	(14,848)	—	(14,848)
Amounts reclassified from AOCI	—	17	17
Balance at June 30, 2022	$ (8,093)	$ 722	$ (7,371)

NOTE 14: RELATED PARTY TRANSACTIONS

In July 2020, the Company entered into an agreement with Watermill Institutional Trading LLC, a registered broker-dealer ("Watermill"), to act as one of the Company's financial advisors for a 12-month period commencing July 22, 2020 for total consideration of $0.9 million, of which $0.2 million and $0.5 million was expensed during the three and six months ended June 30, 2021. Additionally, the Company incurred expense of $2.0 million during the six months ended June 30, 2021 related to services provided by Watermill in connection with the acquisition of Wholesome. A former director of Act II is a registered representative of Watermill and provided services directly to the Company under the agreement.

In December 2019, Wholesome entered into a partnership agreement to form WS Services, LLC ("WS Services"). As of June 30, 2022, Wholesome had a 50% interest in the partnership and accounts for the partnership as an equity method investment. Wholesome's investment in the partnership, which is classified as other assets in the condensed consolidated balance sheets, was $0.7 million as of both June 30, 2022 and December 31, 2021. Wholesome utilizes a warehouse leased by WS Services for storage of raw materials. During the three and six months ended June 30, 2022, the three months ended June 30, 2021, and the period from February 5, 2021 through June 30, 2021, Wholesome expensed $0.2 million, $0.5 million, $0.2 million, and $0.3 million, respectively, related to the use of the warehouse space. Wholesome recorded a payable to WS Services for $0.1 million and $0.3 million as of June 30, 2022 and December 31, 2021, respectively.

NOTE 15: BUSINESS SEGMENTS

The Company has two reportable segments: Branded CPG and Flavors & Ingredients. In addition, the Company's corporate office functions are reported and included under Corporate. Corporate is not a reportable or operating segment but is included for reconciliation purposes and includes the costs for the corporate office administrative activities as well as transaction-related and other costs. The Company does not present assets by reportable segments as they are not reviewed by the Chief Operating Decision Maker for purposes of assessing segment performance and allocating resources.

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The following table presents selected financial information relating to the Company's business segments (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Product revenues, net				
Branded CPG	$ 104,073	$ 99,095	$ 207,834	$ 180,892
Flavors & Ingredients	29,430	27,398	56,261	51,426
Total product revenues, net	$ 133,503	$ 126,493	$ 264,095	$ 232,318
Operating income (loss)				
Branded CPG	$ 5,577	$ 10,258	$ 12,037	$ 20,417
Flavors & Ingredients	9,023	3,738	16,850	4,710
	14,600	13,996	28,887	25,127
Corporate	(6,910)	(8,021)	(14,132)	(22,216)
Total operating income (loss)	$ 7,690	$ 5,975	$ 14,755	$ 2,911

The following table presents disaggregated revenue information for the Company (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Branded CPG:				
North America	$ 71,168	$ 66,444	$ 144,248	$ 118,414
Europe	18,248	20,524	36,256	39,938
India, Middle East and Africa	4,902	3,612	8,481	6,255
Asia-Pacific	5,981	5,594	12,043	10,820
Latin America	3,774	2,921	6,806	5,465
Flavors & Ingredients	29,430	27,398	56,261	51,426
Total product revenues, net	$ 133,503	$ 126,493	$ 264,095	$ 232,318

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read together with our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2021 ("Annual Report") and our unaudited condensed consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Exchange Act (the "Exchange Act") concerning us and other matters. These statements may discuss goals, intentions and expectations as to future plans, trends, events, results of operations or financial condition, or otherwise, based on current beliefs of management, as well as assumptions made by, and information currently available to, management.

Forward-looking statements may be accompanied by words such as "achieve," "aim," "anticipate," "believe," "can," "continue," "could," "drive," "estimate," "expect," "forecast," "future," "grow," "improve," "increase," "intend," "may," "outlook," "plan," "possible," "potential," "predict," "project," "should," "target," "will," "would," or similar words, phrases or expressions. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, which could cause actual results to differ materially from the results contemplated by the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, our ability to achieve or maintain profitability; the extent of the impact of the COVID-19 pandemic, including the duration, spread, severity, and any recurrence of the COVID-19 pandemic, the duration and scope of related government orders and restrictions, the impact on our employees, and the extent of the impact of the COVID-19 pandemic on overall demand for our products; local, regional, national, and international economic conditions that have deteriorated as a result of the COVID-19 pandemic including the risks of a global recession or a recession in one or more of our key markets, and the impact they may have on us and our customers and management's assessment of that impact; inflation and the Company's ability to offset rising costs through pricing and productivity effectively; the projected financial information, anticipated growth rate, and market opportunity of our Branded CPG and Flavors & Ingredients business segments; the ability to maintain the listing of our securities on Nasdaq; the potential liquidity and trading of our public securities; our expected capital requirements and the availability of additional financing; our ability to attract or retain highly qualified personnel, including in accounting and finance roles; extensive and evolving government regulations that impact the way we operate; the effect of the reclassification and treatment of warrants pursuant to ASC Topic 815-40; the impact of the COVID-19 pandemic on our suppliers, including disruptions and inefficiencies in the supply chain; factors relating to the business, operations and financial performance of our Branded CPG and Flavors & Ingredients segments; our success in integrating the various operating companies constituting Merisant and MAFCO; our ability to integrate our acquisitions and achieve the anticipated benefits of the transactions in a timely manner or at all; the ongoing conflict in Ukraine and related economic disruptions and new governmental regulations on our business, including but not limited to the potential impact on our sales, operations and supply chain; adverse changes in the global or regional general business, political and economic conditions, including the impact of continuing uncertainty and instability in certain countries, that could materially affect our global markets and the potential adverse economic impact and related uncertainty caused by these items; our ability to continue to use, maintain, enforce, protect and defend owned and licensed intellectual property, including the Whole Earth® brand; and such other factors as discussed throughout, including in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and in Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, our information may be incomplete or limited, and we cannot guarantee future results. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

Overview

We are a global food company enabling healthier lifestyles and providing access to high-quality, plant-based sweeteners, flavor enhancers and other foods through our diverse portfolio of trusted brands and delicious products. We operate a proven platform organized into two reportable segments.

- **Branded CPG**, comprised of our Merisant division of operating companies, Wholesome and Swerve, is a global CPG business focused on building a branded portfolio oriented toward serving customers seeking better-for-you sweeteners across the zero calorie, plant-based, organic, non GMO, and Fair Trade spaces in zero/low calorie sweeteners, honey, agave and baking mix segments. Our Branded CPG products are sold under both our flagship brands, as well as local and private label brands. Our global flagship brands include Whole Earth®, Pure Via®, Wholesome®, Swerve®, Canderel®, Equal® and existing branded adjacencies.

- **Flavors & Ingredients**, comprised of our Mafco Worldwide division of operating companies, is a global, business-to-business focused operation with a long history as a trusted supplier of essential, functional ingredients to some of the CPG industry's largest and most demanding customers. Our products provide a variety of solutions for our customers including flavor enhancement, flavor / aftertaste masking, moisturizing, product mouthfeel modification and skin soothing characteristics. Our Flavors & Ingredients segment operates our licorice-derived products business.

Acquisition

On December 17, 2020, we entered into a stock purchase agreement (the "Wholesome Purchase Agreement") with WSO Investments, Inc. ("WSO Investments" and together with its subsidiaries "Wholesome"), WSO Holdings, LP ("WSO Partnership"), Edwards Billington and Son, Limited ("EBS"), WSO Holdings, LLC ("WSO LLC," and together with WSO Partnership and EBS, the "WSO Sellers"), and WSO Partnership, in its capacity as representative for the WSO Sellers. WSO Investments is the direct parent of its wholly-owned subsidiary Wholesome Sweeteners, Incorporated, which was formed to import, market, distribute, and sell organic sugars, unrefined specialty sugars, and related products.

On February 5, 2021, pursuant to the terms of the Wholesome Purchase Agreement, (i) we purchased and acquired all of the issued and outstanding shares of capital stock of WSO Investments from the WSO Sellers, for (x) an initial cash purchase price of $180 million (subject to customary post-closing adjustments), plus (y) as more thoroughly described below, up to an additional $55 million (the "Earn-Out Amount") upon the satisfaction of certain post-closing financial metrics by Wholesome; and (ii) WSO Investments became an indirect wholly-owned subsidiary of the Company (collectively, the "Wholesome Transaction"). Subject to the terms and conditions of the Wholesome Purchase Agreement, and as more thoroughly described therein, payment of the Earn-Out Amount, in whole or in part, was subject to Wholesome achieving certain EBITDA thresholds at or above approximately $30 million during the period beginning August 29, 2020, and ending December 31, 2021 (the "Earn-Out Period"). A portion of the Earn-Out Amount (up to $27.5 million) could be paid, at our election, in freely tradeable, registered shares of Company common stock calculated using the 20-day volume weighted average trading price per share as of the date of determination. Calculation of the achievement of the Earn-Out Amount was subject to certain adjustments more thoroughly described in the Wholesome Purchase Agreement.

Following the completion of the Earn-Out Period, we determined, in accordance with the terms of the Purchase Agreement, that the sellers were entitled to receive the Earn-Out Amount in full. We elected to satisfy part of the Earn-Out Amount in common stock and on February 23, 2022, issued 2,659,574 shares of the Company's common stock. The remaining $30 million portion of the $55 million Earn-Out Amount was paid in cash which was funded from available capacity under our revolving credit facility. The settlement of the earn-out resulted in a non-cash gain of $1.1 million that was recorded in the first quarter of 2022 which represents the difference in the value of the common stock issued using the 20-day volume weighted average trading price per share as compared to the trading price on the date of issuance.

In connection with the closing of the Wholesome Transaction, on February 5, 2021, we and certain of our subsidiaries entered into an amendment and restatement agreement (the "Amendment Agreement") with Toronto Dominion (Texas) LLC, as administrative agent, and certain lenders signatory thereto, which amended and restated our existing senior secured loan agreement dated as of June 25, 2020 (as amended on September 4, 2020, the "Existing Credit Agreement," and as further amended by the Amendment Agreement, the "Amended and Restated Credit Agreement"), by and among Toronto Dominion (Texas) LLC, as administrative agent, certain lenders signatory thereto and certain other parties. See Note 7 to our consolidated and combined financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021 for a further description of the Amended and Restated Credit Agreement.

COVID-19 Impact

The COVID-19 pandemic has caused and continues to cause economic disruption and uncertainty in the U.S. and globally, including in our business. We continue to closely monitor the impacts of the COVID-19 pandemic and remain focused on protecting the health and safety of our employees and maintaining our supply chain and inventory levels to meet customer demand. COVID-19 and its impacts are unprecedented and continue to evolve. The extent of the pandemic's impact on us will continue to depend upon our employees' ability to work safely in our facilities, our customers' ability to continue to operate or receive our products, the ability of our suppliers to continue to operate, and the level of activity and demand for the ultimate product and services of our customers or their customers.

Inflation and Supply Chain Impact

During the six months ended June 30, 2022, we have continued to experience inflationary cost increases in raw materials and transportation costs, as well as supply chain challenges. We expect to continue to see these cost pressures and supply chain challenges through the remainder of 2022. These cost increases have resulted in and could continue to result in negative impacts to our results of operations. However, we have taken measures to mitigate the impact of these inflationary pressures by implementing pricing actions.

There continues to be an increasingly competitive labor market at certain of our manufacturing facilities. This has resulted in increased employee turnover and changes in the availability of our workers, including as a result of COVID-19 related absences, which has resulted in and could continue to result in increased costs and could negatively impact our ability to meet customer demand. However, we expect we will be able to deliver products to fulfill customer orders on a timely basis and we intend to continue to monitor customer demand along with our supply chain and logistics capabilities to drive our business and meet our obligations.

Results of Operations

Consolidated

	Three Months Ended			Six Months Ended		
(In thousands)	**June 30, 2022**	**June 30, 2021**	**Change**	**June 30, 2022**	**June 30, 2021**	**Change**
Product revenues, net	$ 133,503	$ 126,493	+5.5 %	$ 264,095	$ 232,318	+13.7 %
Cost of goods sold	96,189	85,138	+13.0 %	187,223	155,312	+20.5 %
Gross profit	37,314	41,355	-9.8 %	76,872	77,006	-0.2 %
Selling, general and administrative expenses	24,960	27,828	-10.3 %	52,748	60,735	-13.2 %
Amortization of intangible assets	4,664	4,706	-0.9 %	9,369	8,857	+5.8 %
Restructuring and other expenses	—	2,846	*	—	4,503	*
Operating income	7,690	5,975	+28.7 %	14,755	2,911	*
Change in fair value of warrant liabilities	193	(241)	*	1,054	(2,603)	*
Interest expense, net	(6,428)	(6,396)	+0.5 %	(12,460)	(11,474)	+8.6 %
Loss on extinguishment and debt transaction costs	—	—	*	—	(5,513)	*
Other income, net	697	190	*	2,653	500	*
Income (loss) before income taxes	2,152	(472)	*	6,002	(16,179)	*
Provision (benefit) for income taxes	826	(4,167)	*	1,950	(7,849)	*
Net income (loss)	$ 1,326	$ 3,695	-64.1 %	$ 4,052	$ (8,330)	*

* Represents positive or negative change equal to, or in excess of 100%

Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

Product revenues, net. Product revenues, net for the three months ended June 30, 2022 were $133.5 million, an increase of $7.0 million, or 5.5%, from $126.5 million for the three months ended June 30, 2021 due to a $5.0 million increase in product revenues in the Branded CPG segment and a $2.0 million increase in product revenues at Flavors & Ingredients. The increase in Branded CPG revenues was driven primarily by price increases, partially offset by unfavorable impacts from foreign exchange.

Cost of goods sold. Cost of goods sold for the three months ended June 30, 2022 was $96.2 million, an increase of $11.1 million, or 13.0%, from $85.1 million for the three months ended June 30, 2021. The increase was primarily due to increased logistics and raw materials costs due to inflationary pressures and costs associated with the Company's new production operations at Branded CPG, including supply chain optimization projects, partially offset by a $1.0 million favorable change in the amortization of purchase accounting adjustments related to inventory revaluations (benefit of $0.9 million in the second quarter of 2022 compared to expense of $0.1 million in the second quarter of 2021).

Selling, general and administrative expenses. Selling, general and administrative expenses for the three months ended June 30, 2022 were $25.0 million, a decrease of $2.9 million, or 10.3%, from $27.8 million for the three months ended June 30, 2021 primarily due to a $2.8 million decline in public company readiness and acquisition related transaction expenses and a $0.6 million reduction in stock-based compensation expense, partially offset by higher salaries from increased headcount in the second half of 2021.

Amortization of intangible assets. Amortization of intangible assets for the three months ended June 30, 2022 was flat compared to the three months ended June 30, 2021.

Restructuring and other expenses. Restructuring and other expenses for the three months ended June 30, 2021 were $2.8 million and related primarily to certain disposal costs at our Camden, New Jersey facility, which was sold in the second quarter of 2021.

Change in fair value of warrant liabilities. Change in fair value of warrant liabilities for the three months ended June 30, 2022 was a non-operating gain of $0.2 million, an increase of $0.4 million, from a non-operating loss of $0.2 million for the three months ended June 30, 2021.

Interest expense, net. Interest expense, net for the three months ended June 30, 2022 was flat compared to the three months ended June 30, 2021.

Other income, net. Other income, net for the three months ended June 30, 2022 was $0.7 million compared to $0.2 million for the three months ended June 30, 2021. The increase was primarily due to higher realized foreign exchange gains in the second quarter of 2022 compared to the second quarter of 2021.

Provision (benefit) for income taxes. The provision for income taxes for the three months ended June 30, 2022 was $0.8 million. The benefit for income taxes for the three months ended June 30, 2021 was $4.2 million, which includes a discrete tax benefit of $4.2 million related to the receipt of a beneficial tax ruling in Switzerland which allows for future amortization deductions, the reversal of uncertain tax position liabilities as a result of the lapse of applicable statute of limitations, partially offset by a deferred tax provision related to a tax law change in the United Kingdom which was enacted during the quarter ended June 30, 2021. The effective tax rate for the three months ended June 30, 2022 was an income tax provision of 38.4%, compared to an income tax benefit of 882.8% for the three months ended June 30, 2021. The effective tax rate for the three months ended June 30, 2022 differs from the statutory federal rate of 21% primarily due to state and local taxes, non-deductible permanent differences, limited benefit on current year interest deductions and losses in certain jurisdictions, the change in the fair value of warrant liabilities, foreign income at different rates and the U.S. tax effect of international operations including Global Intangible Low-Taxed Income ("GILTI") recorded during the period. The effective tax rate for the three months ended June 30, 2021 differs from the statutory federal rate of 21% primarily due to the discrete tax benefits.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Product revenues, net. Product revenues, net for the six months ended June 30, 2022 were $264.1 million, an increase of $31.8 million, or 13.7%, from $232.3 million for the six months ended June 30, 2021. The increase was primarily due to a $26.9 million increase in product revenues in the Branded CPG segment and a $4.8 million increase in product revenues at Flavors & Ingredients. The increase in Branded CPG revenues was primarily due to Wholesome, which was acquired on February 5, 2021, partially offset by unfavorable impacts from foreign exchange, as further discussed below.

Cost of goods sold. Cost of goods sold for the six months ended June 30, 2022 was $187.2 million, an increase of $31.9 million, or 20.5%, from $155.3 million for the six months ended June 30, 2021. The increase was primarily due to a $24.1 million increase in costs as a result of a full six months of Wholesome (acquired on February 5, 2021), as well as costs associated with the new production operations at Branded CPG, and increased logistics and raw materials costs due to inflationary pressures, partially offset by a $4.3 million favorable change in purchase accounting adjustments related to inventory revaluations (benefit of $2.5 million for the six months ended June 30, 2022 compared to expense of $1.7 million for the six months ended June 30, 2021).

Selling, general and administrative expenses. Selling, general and administrative expenses for the six months ended June 30, 2022 was $52.7 million, a decrease of $8.0 million, or 13.2%, from $60.7 million for the six months ended June 30, 2021. The decrease was primarily due to an $11.0 million decline in public company readiness and acquisition related transaction expenses and a $0.8 million decrease in stock-based compensation expense, partially offset by a $1.0 million increase in costs driven by a full six months of Wholesome as well as higher salaries from increased headcount in the second half of 2021.

Amortization of intangible assets. Amortization of intangible assets for the six months ended June 30, 2022 was $9.4 million, an increase of $0.5 million, or 5.8%, from $8.9 million for the six months ended June 30, 2021 primarily due to amortization expense related to the intangible assets acquired as part of the Wholesome acquisition on February 5, 2021.

Restructuring and other expenses. Restructuring and other expenses for the six months ended June 30, 2021 were $4.5 million and related primarily to certain disposal costs at our Camden, New Jersey facility, which was sold in the second quarter of 2021.

Change in fair value of warrant liabilities. Change in fair value of warrant liabilities for the six months ended June 30, 2022 was a non-operating gain of $1.1 million, an increase of $3.7 million, from a non-operating loss of $2.6 million for the six months ended June 30, 2021.

Interest expense, net. Interest expense, net for the six months ended June 30, 2022 was $12.5 million, an increase of $1.0 million, or 8.6%, from $11.5 million for the six months ended June 30, 2021. The increase was primarily due to higher debt levels under our new credit facilities and the amortization of debt issuance costs.

Other income (expense), net. Other income, net for the six months ended June 30, 2022 was $2.7 million compared to $0.5 million for the six months ended June 30, 2021. The increase was primarily due to a $0.6 million increase in pension income of which $1.1 million related to a non-cash settlement gain related to the termination of our qualified defined benefit pension plan at Flavors & Ingredients, a $1.1 million non-cash gain related to the settlement of the Wholesome acquisition earn-out as further described above and higher realized foreign exchange gains in the first half of 2022 compared to the first half of 2021.

Provision (benefit) for income taxes. The provision for income taxes for the six months ended June 30, 2022 was $2.0 million. The benefit for income taxes for the six months ended June 30, 2021 was $7.8 million, which includes a discrete tax benefit of $4.3 million primarily related to the receipt of a beneficial tax ruling in Switzerland which allows for future amortization deductions, the reversal of uncertain tax position liabilities as a result of the lapse of applicable statute of limitations, partially offset by a deferred tax provision related to a tax law change in the United Kingdom which was enacted during the quarter ended June 30, 2021. The effective tax rate for the six months ended June 30, 2022 was an income tax provision of 32.5%, compared to an income tax benefit of 48.5% for the six months ended June 30, 2021. The effective tax rate for the six months ended June 30, 2022 differs from the statutory federal rate of 21% primarily due to state and local taxes, non-deductible permanent differences, limited benefit on current year interest deductions and losses in certain jurisdictions, the change in the fair value of warrant liabilities, foreign income at different rates and the U.S. tax effect of international operations including GILTI recorded during the period. The effective tax rate for the six months ended June 30, 2021 differs from the statutory federal rate of 21% primarily due to the discrete tax benefits.

Branded CPG

	Three Months Ended			Six Months Ended		
(In thousands)	**June 30, 2022**	**June 30, 2021**	**Change**	**June 30, 2022**	**June 30, 2021**	**Change**
Product revenues, net	$ 104,073	$ 99,095	5.0 %	$ 207,834	$ 180,892	+14.9 %
Operating income	$ 5,577	$ 10,258	-45.6 %	$ 12,037	$ 20,417	-41.0 %

Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

Segment product revenues, net. Product revenues, net for Branded CPG for the three months ended June 30, 2022 were $104.1 million, an increase of $5.0 million, or 5.0%, from $99.1 million for the three months ended June 30, 2021, driven by an $8.0 million increase in sales primarily due to higher pricing, partially offset by a $3.1 million unfavorable impact of foreign exchange.

Segment operating income. Operating income for Branded CPG for the three months ended June 30, 2022 was $5.6 million, a decrease of $4.7 million, or 45.6%, from $10.3 million for the three months ended June 30, 2021, primarily due to increases in costs associated with new production operations of $4.0 million and increased logistics and materials costs due to inflationary pressures, partially offset by increases in revenues as discussed above and $0.9 million of purchase accounting adjustments related to inventory revaluations in the prior year period that did not re-occur in 2022.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Segment product revenues, net. Product revenues, net for Branded CPG for the six months ended June 30, 2022 were $207.8 million, an increase of $26.9 million, or 14.9%, from $180.9 million for the six months ended June 30, 2021, primarily driven by a $32.5 million increase in revenues at Wholesome due to a full six months of results in 2022 (acquired on February 5, 2021) as well as both higher pricing and volume. This increase was partially offset by a $5.6 million decline in revenues for all other Branded CPG business as a $2.9 million increase in sales largely due to higher pricing was more than offset by a $3.8 million decline in sales due to the planned discontinuance of certain private label contracts and a $4.8 million unfavorable impact of foreign exchange.

Segment operating income. Operating income for Branded CPG for the six months ended June 30, 2022 was $12.0 million, a decrease of $8.4 million, or 41.0%, from $20.4 million for the six months ended June 30, 2021, primarily due to an increase in costs associated with new production operations of $7.3 million, increased logistics and materials costs due to inflationary pressures, partially offset by a $8.7 million increase in operating income at Wholesome as a result of a full six months of results (acquired on February 5, 2021).

Flavors & Ingredients

	Three Months Ended			Six Months Ended		
(In thousands)	June 30, 2022	June 30, 2021	Change	June 30, 2022	June 30, 2021	Change
Product revenues, net	$ 29,430	$ 27,398	+7.4 %	$ 56,261	$ 51,426	+9.4 %
Operating income	$ 9,023	$ 3,738	*	$ 16,850	$ 4,710	*

* Represents positive or negative change equal to, or in excess of 100%

Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

Segment product revenues, net. Product revenues, net for Flavors & Ingredients for the three months ended June 30, 2022 were $29.4 million, an increase of $2.0 million, or 7.4%, from $27.4 million for the three months ended June 30, 2021, primarily driven by increases in licorice extracts primarily due to volume growth.

Segment operating income. Operating income for Flavors & Ingredients for the three months ended June 30, 2022 was $9.0 million, an increase of $5.3 million, from $3.7 million for the three months ended June 30, 2021, primarily driven by increased revenue of $2.0 million, a $2.8 million decrease in restructuring and other expenses included in the prior year results that did not re-occur in 2022 and a $0.9 million decrease in cost of goods sold due to lower per unit costs following the shut down of the Camden facility.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Segment product revenues, net. Product revenues, net for Flavors & Ingredients for the six months ended June 30, 2022 were $56.3 million, an increase of $4.8 million, or 9.4%, from $51.4 million for the six months ended June 30, 2021, primarily driven by increases in licorice extracts and pure derivatives primarily due to volume growth.

Segment operating income. Operating income for Flavors & Ingredients for the six months ended June 30, 2022 was $16.9 million, an increase of $12.1 million, from $4.7 million for the six months ended June 30, 2021, primarily driven by increased revenue of $4.8 million, a $3.0 million decrease in cost of goods sold and a $4.5 million decrease in restructuring and other expenses included in the prior year results that did not re-occur in 2022. The decrease in cost of goods sold was largely due to a $2.4 million favorable change in amortization of purchase accounting adjustments related to inventory revaluations in the six months ended June 30, 2022 (benefit of $2.5 million in the six months ended June 30, 2022 compared to a benefit of $0.1 million in the six months ended June 30, 2021) as well as lower per unit costs following the shut down of the Camden facility.

Corporate

	Three Months Ended			Six Months Ended		
(In thousands)	June 30, 2022	June 30, 2021	Change	June 30, 2022	June 30, 2021	Change
Operating loss	$ (6,910)	$ (8,021)	-13.9 %	$ (14,132)	$ (22,216)	-36.4 %

Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

Operating loss. Operating loss for Corporate for the three months ended June 30, 2022 was $6.9 million, a decrease of $1.1 million from $8.0 million for the three months ended June 30, 2021, primarily driven by a $2.2 million decrease in acquisition related transaction expenses and public company readiness expenses, partially offset by higher salaries from increased headcount in the second half of 2021.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Operating loss. Operating loss for Corporate for the six months ended June 30, 2022 was $14.1 million, a decrease of $8.1 million from $22.2 million for the six months ended June 30, 2021, primarily driven by a $10.1 million decrease in acquisition related transaction expenses and public company readiness expenses, partially offset by higher salaries from increased headcount in the second half of 2021.

Liquidity and Capital Resources

We have historically funded operations with cash flow from operations and, when needed, with borrowings, which are described below.

We believe our sources of liquidity and capital, and our Credit Facilities will be sufficient to finance our continued operations, growth strategy and additional expenses we expect to incur for at least the next twelve months.

The following table shows summary cash flow information for the six months ended June 30, 2022 and June 30, 2021 (in thousands):

	Six Months Ended	
	June 30, 2022	June 30, 2021
Net cash used in operating activities	$ (12,023)	$ (9,454)
Net cash used in investing activities	(4,390)	(186,968)
Net cash provided by financing activities	17,483	203,118
Effect of exchange rate changes on cash and cash equivalents	(1,745)	460
Net change in cash and cash equivalents	$ (675)	$ 7,156

Operating activities. Net cash used in operating activities was $12.0 million for the six months ended June 30, 2022 compared to cash used in operating activities of $9.5 million for the six months ended June 30, 2021. The increase in cash used was primarily attributable to higher income tax and interest payments during the six months ended June 30, 2022. Cash paid for income taxes, net of income tax refunds was $5.8 million for the six months ended June 30, 2022 compared to $4.4 million for the six months ended June 30, 2021. Cash paid for interest for the six months ended June 30, 2022 was $11.5 million compared to $10.0 million for the six months ended June 30, 2021.

Investing activities. Net cash used in investing activities was $4.4 million for the six months ended June 30, 2022 and primarily related to capital expenditures. Net cash used in investing activities was $187.0 million for the six months ended June 30, 2021 which included cash paid of $187.6 million, net of cash acquired, related to the acquisition of Wholesome, $1 million of cash received for the final working capital settlement related to the acquisition of Swerve, capital expenditures of $4.6 million and proceeds from the sale of one of our facilities of $4.3 million.

Financing activities. Net cash provided by financing activities was $17.5 million for the six months ended June 30, 2022 and reflects $50.0 million of proceeds from the revolving credit facility, repayments of long-term debt of $1.9 million, cash payment for the Wholesome acquisition earn-out of $29.1 million (amount is net of $0.9 million related to transaction bonuses paid in connection with the earn-out and reflected in operating activities), payments of $0.9 million for employee tax withholdings related to net share settlements of share awards and payments of debt issuance costs of $0.7 million. Net cash provided by financing activities was $203.1 million for the six months ended June 30, 2021 and reflects $400 million of proceeds from the Credit Facilities, repayment of the revolving credit facility of $47.9 million, repayments of long-term debt of $137.4 million and payments of debt issuance costs of $11.6 million.

Debt

As of December 31, 2021, term loan borrowings were $362.2 million, net of debt issuance costs of $10.0 million. There were borrowings under the Revolving Facility of $25.0 million as of December 31, 2021. The unamortized debt issuance costs related to the Revolving Facility were $1.8 million at December 31, 2021 and are included in other assets in the condensed consolidated balance sheet. At December 31, 2021, there were $2.1 million of outstanding letters of credit that reduced our availability under the revolving credit facility. See Note 7 to our consolidated and combined financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021 for further information and significant terms and conditions associated with the Term Loan Facility and Revolving Facility.

As further described in the Acquisition section above, following the completion of the Wholesome Earn-Out Period, we determined, in accordance with the terms of the Purchase Agreement, that the sellers were entitled to receive the Earn-Out Amount in full. We elected to satisfy part of the Earn-Out Amount in common stock and on February 23, 2022, issued 2,659,574 shares of the Company's common stock. The remaining $30 million portion of the $55 million Earn-Out Amount was paid in cash which was funded from available capacity under our revolving credit facility.

On June 15, 2022, we and certain of our subsidiaries entered into a first amendment (the "Amendment") to the Amended and Restated Agreement dated as of February 5, 2021. The Amendment increased the aggregate principal amount of the Revolving Credit Facility from $75 million to $125 million (the "Amended Revolving Credit Facility") and transitioned from LIBOR to Secured Overnight Financing Rate ("SOFR") as the benchmark for purposes of calculating interest for all loans outstanding under the Amended and Restated Credit Agreement. At our election, loans outstanding under the Amended and Restated Credit Agreement will accrue interest at a rate per annum equal to (i) term SOFR plus 0.10%, 0.15%, or 0.25% in case of, respectively, a one-month, three-month, or six-month interest period ("Adjusted Term SOFR"), or (ii) the greater of the prime rate, the federal funds effective rate plus 0.50%, and one-month Adjusted Term SOFR plus 1.00%, in each case plus the applicable margin which is equal to (i) with respect to Amended Revolving Credit Facility and letters of credit, (A) 2.75%, in the case of base rate advances, and (B) 3.75% in the case of SOFR advances, and (ii) with respect to the Term Loan Facility, (A) 3.50%, in the case of base rate advances, and (B) 4.50% in the case of SOFR advances. In connection with the Amendment, we paid fees and incurred transaction costs of $0.7 million, all of which was deferred.

The transition to SOFR did not materially impact the interest rates applied to our borrowings. No other material changes were made to the terms of our Amended and Restated Agreement as a result of the Amendment.

As of June 30, 2022, term loan borrowings were $361.1 million, net of debt issuance costs of $9.2 million. There were borrowings under the Amended Revolving Facility of $75.0 million as of June 30, 2022. The unamortized debt issuance costs related to the Amended Revolving Facility were $2.2 million and are included in other assets in the condensed consolidated balance sheet. At June 30, 2022, there were $2.1 million of outstanding letters of credit that reduced our availability under the Amended Revolving Credit Facility.

Critical Accounting Policies and Recently Issued Accounting Pronouncements

There have been no changes to critical accounting policies and estimates from those disclosed in our audited consolidated and combined financial statements for the year ended December 31, 2021. For information regarding our critical accounting policies and accounting pronouncements, see our unaudited condensed consolidated financial statements and the related notes to those statements included under Item 1. hereof and our 2021 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in market risk from those addressed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 during the six months ended June 30, 2022. See the information set forth in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Item 4. Controls and Procedures

Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). The Company's management and the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2022.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There have been no material developments in our legal proceedings since we filed our Annual Report on Form 10-K for the year ended December 31, 2021. Refer to "Part I. Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2021 for additional information regarding legal proceedings.

Item 1A. Risk Factors.

We discuss in our filings with the SEC various risks that may materially affect our business. The materialization of any risks and uncertainties identified in forward-looking statements contained in this report together with those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021 and our other filings with the SEC or those that are presently unforeseen could result in significant adverse effects on our financial condition, results of operations and cash flows. See "Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Forward-looking Statements." There have been no material changes in the risk factors previously disclosed in the section entitled "Item 1A-Risk Factors" of the Annual Report on Form 10-K for the year ended December 31, 2021, including the risk factors incorporated by reference therein.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

No.	Description of Exhibit
3.1	Certificate of Incorporation of Whole Earth Brands, Inc. (incorporated by reference to Exhibit 3.1 of Whole Earth Brands, Inc.'s Current Report on Form 8-K filed with the SEC on June 30, 2020).
3.2	Certificate of Amendment of Certificate of Incorporation of Whole Earth Brands, Inc. (incorporated by reference to Exhibit 3.1 of Whole Earth Brands, Inc.'s Current Report on Form 8-K filed with the SEC on October 12, 2021).
3.3	Bylaws of Whole Earth Brands, Inc. (as amended through June 30, 2021) (incorporated by reference to Exhibit 3.1 of Whole Earth Brands, Inc.'s Current Report on Form 8-K filed with the SEC on July 1, 2021).
10.1	First Amendment to Amended and Restated Loan Agreement, Dated as of June 15, 2022, by and among Whole Earth Brands, Inc., certain domestic subsidiaries thereto, Toronto Dominion (Texas) LLC as administrative agent thereunder, and certain lenders signatory thereto (incorporated by reference to Exhibit 10.1 of Whole Earth Brands, Inc.'s Current Report on Form 8-K filed with the SEC on June 17, 2022).
31.1*	Certification of Principal Executive Officer, pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer, pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	The cover page for the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Whole Earth Brands, Inc.

		/s/ Albert Manzone
Date: August 9, 2022	Name:	Albert Manzone
	Title:	Chief Executive Officer
		(Principal Executive Officer)
		/s/ Duane Portwood
Date: August 9, 2022	Name:	Duane Portwood
	Title:	Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Albert Manzone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Whole Earth Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement 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 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 control 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 control over financial reporting.

Date: August 9, 2022

/s/ Albert Manzone

Albert Manzone
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Duane Portwood, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Whole Earth Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement 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 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 control 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 control over financial reporting.

Date: August 9, 2022

/s/ Duane Portwood
Duane Portwood
Chief Financial Officer

Exhibit 32.1

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Whole Earth Brands, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Albert Manzone, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2022

/s/ Albert Manzone

Albert Manzone
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Whole Earth Brands, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Duane Portwood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2022

/s/ Duane Portwood
Duane Portwood
Chief Financial Officer