

Risk Factors Comparison 2025-02-26 to 2024-03-11 Form: 10-K

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You should carefully consider all of the risks described below, which are not necessarily exhaustive, together with the other information contained in this report, including the financial statements. If any of the following risks occur, our business, financial condition or results of operations may be materially and adversely affected. Summary Risk Factors Investing in our Class A common stock involves a high degree of risk because our business is subject to numerous risks and uncertainties, as fully described below. The principal factors and uncertainties that make investing in our Class A common stock risky include, among others: • risks associated with the incurrence of operating losses in the future or failure to achieve or maintain profitability in the future; • fluctuations in the growth rate of our business and our high rates of growth in terms of revenue, earnings and margins, which may not be sustained in future periods; • our ability to purchase quality merchandise in sufficient quantities at competitive prices, including products that are produced by artisan vendors; • disruption in our receiving and distribution system or increased costs as a result of our ~~recently opened~~ **the continued integration of our** distribution and manufacturing centers; • cybersecurity risks and costs associated with credit card fraud, identity theft and business interruption could result in unexpected expenses and loss of revenue; • risks associated with receiving, processing, storing, using and sharing personal data that requires us to comply with complex and evolving governmental regulations related to data privacy and data protection that could expose us to litigation or damage our reputation; • import and other international risks, **including tariffs and changes to trade policies and agreements**, as a result of our reliance on foreign manufacturers and vendors to supply a significant portion of our merchandise; • changes in the health of the high- end housing market, as well as declines in consumer confidence and consumer spending; • risks associated with the interruption of supply and increased costs as a result of our reliance on third- party transportation carriers for shipment of our products; • increased commodity prices or increased freight and transportation costs; • our ability to timely and effectively deliver merchandise to our clients and manage our supply chain; • risks posed by a pandemic should an outbreak of an infectious disease occur; and • the dual class structure of our common stock, which has the effect of concentrating voting power with our Founder and the Founder Family Trusts, gives our Founder and the Founder Family Trusts substantial control over us, including over matters that require the approval of stockholders, and their interests may conflict with ours or those of our **other** stockholders. Risks Related to Our Business and Industry We may incur operating losses in the future, and may not achieve or maintain profitability in the future. We may incur operating losses in the future. We expect our operating expenses to increase in the future as we continue to expand our operating and retail infrastructure, including adding new Showrooms, increasing sales and marketing efforts, growing our eCommerce **platform sales channel**, enhancing our omni- channel capabilities, expanding into new geographies, developing new products, and in connection with legal, accounting, and other expenses related to operating as a public company. These efforts and additional expenses may be costlier than we expect, and we cannot guarantee that we will be able to increase our net revenue to offset our operating expenses. Our net revenue growth may slow or our net revenue may decline for a number of ~~other~~ reasons, including reduced demand for our products, increased competition, a decrease in the growth or reduction in size of our overall market, or if we cannot capitalize on growth opportunities. If our **net** revenue does not grow at a greater rate than our operating expenses, we will not be able to maintain profitability. We have experienced fluctuations in the growth rate of our business and our high rates of growth in terms of revenue, earnings and margins may not be sustained in future time periods. Historically we have experienced fluctuations in the quarterly growth rate of our business. We may continue to experience fluctuations in our quarterly growth rate and financial performance. We are currently engaged in a number of initiatives to support the growth of our business which may result in costs and delays which may negatively affect our gross margin in the short term and may amplify fluctuations in our growth rate from quarter to quarter depending on the timing and extent of the realization of the costs and benefits of such initiatives. Some factors affecting our business, including macroeconomic conditions and policies and changes in legislation, are not within our control. In prior periods, our results of operations have been adversely affected by weakness in the overall economic environment such as the initial periods of significant economic uncertainty and reduced economic activity as a result of the COVID- 19 pandemic as well as slowdowns in the housing market. In addition, our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence consumer spending, including, among other things, the general state of the economy, capital and credit markets, consumer confidence, general business conditions, the availability and cost of consumer credit, the level of consumer debt, interest rates, level of taxes affecting consumers, housing prices, new construction and other activity in the housing sector and the state of the mortgage industry and other aspects of consumer credit tied to housing, including the availability and pricing of mortgage refinancing and home equity lines of credit. In particular, our business performance is linked to the overall strength of luxury consumer spending in markets in which we operate. Economic conditions affecting selected markets in which we operate are expected to have an impact on the strength of our business in those local markets, including with respect to volatility in consumer demand and sentiment. Our business trends are frequently correlated closely with conditions in financial markets including the stock market. The global economic environment is currently in a period of widespread uncertainty as governments and central banks continue to respond to supply chain issues and inflation on business conditions. In the event that equity and credit markets experience volatility and disruption, consumer demand for our product and our results of operations may be adversely affected. In addition, our rates of revenue growth have fluctuated from quarter to quarter over the last three years and we expect volatility in the rates of our growth to continue in future quarterly periods. Unique factors in any given quarter may affect period- to- period comparisons in our revenue growth, including: • the overall economic and general retail sales environment, including the effects

of uncertainty relating to consumer spending, such as inflation and increased interest rates; • the availability of our products and the impact of delays or disruption in our supply chain; • consumer preferences and demand; • the number, size and location of the Showrooms we open, close, remodel or expand in any period; • our ability to efficiently source and distribute products; • changes in our product offerings and the introduction, and timing thereof, of new products and new product categories; • promotional events by us or our competitors; • our competitors introducing similar products or merchandise formats; • the distribution of our spring and fall catalogs each year; • the timing of various holidays, including holidays with potentially heavy retail impact; and • the success of our marketing programs. Due to these factors, our results for any quarter are not necessarily indicative of the results that we may achieve for a full year. Our results of operations may also vary relative to corresponding periods in prior years. We may take certain pricing, merchandising or marketing actions that could have a disproportionate effect on our business, financial condition and results of operations in a particular quarter or selling season, and as a result we believe that period- to- period comparisons of our results of operations are not necessarily meaningful and cannot be relied upon as indicators of future performance. We depend on our ability to purchase quality merchandise in sufficient quantities at competitive prices, including products that are produced by specialty and artisan vendors. Any disruptions we experience in our ability to obtain quality products in a timely fashion or in the quantities required could have a material adverse effect on our reputation, business, results of operations and financial performance. Our business model includes offering exclusively designed, high- quality products, and we purchase the vast majority of our merchandise from a number of third- party vendors. Although we do not rely on one or a small group of vendors for a majority of our products, and we have longstanding relationships with many of our vendors, some vendors are the sole sources for particular products, and we may be dependent on particular vendors that produce popular items, and may not be able to easily find another source if a vendor discontinued selling to us. For example, we purchased upholstery products representing approximately 10 % of our total net revenue in ~~2023~~ **2024** from McCreary Modern, Inc. If any of our vendors, including our significant or sole- source vendors, were unable or unwilling to continue to sell us product, we may be unable to replace quickly or effectively the products sold to us by such vendor, or do so on similar or favorable terms, which could have an adverse impact on our business. Some of our products are produced by artisans, specialty vendors and other vendors that are small and may be undercapitalized, unable to scale production or have limited production capacity, and we have from time to time in prior periods experienced supply constraints that have affected our ability to supply high demand items or new products due to such capacity and other limits, including production and shipping delays in our vendor base. In addition, the expansion of our business into new markets or new product introductions could put pressure on our ability to source sufficient quantities of our products from such vendors. In the event that one or more of our vendors is unable or unwilling to meet the quantity or quality of our product requirements, we may not be able to develop relationships with new vendors in a manner that is sufficient to supply the shortfall. Even if we do identify such new vendors, we may experience product shortages, client backorders and delays as we transition our product requirements to incorporate alternative vendors. Our relationship with any new vendor would be subject to the same or similar risks as those of our existing vendors. A number of our vendors, particularly our artisan vendors, may have limited financial or other resources and operating histories and may receive various forms of credit from us, including with respect to payment terms or other arrangements. We may advance a portion of the payments to be made to some vendors under our purchase orders prior to the delivery of the ordered products. These advance payments are normally unsecured. Vendors may become insolvent and their failure to repay our advances, and any failure to deliver products to us, could have a material adverse impact on our results of operations. There can be no assurance that the capacity of any particular vendor will continue to be able to meet our supply requirements in the future, as our vendors may be susceptible to production difficulties or other factors that negatively affect the quantity or quality of their production during future periods. A disruption in the ability of our significant vendors to access liquidity could also cause serious disruptions or an overall deterioration of their businesses, which could lead to a significant reduction in their ability to manufacture or ship products to us. Any difficulties that we experience in our ability to obtain products in sufficient quality and quantity from our vendors could have a material adverse effect on our business. Disruption in our receiving and distribution system or increased costs as a result of our recently opened distribution and manufacturing centers could adversely affect our business. We opened our second distribution center in Conover, NC during the fourth quarter of 2021 and our third distribution center in Dallas, Texas during 2022. We may not accurately anticipate all of the changing demands that our expanding operations will impose on our receiving and distribution system. We also may not realize all of the expected benefits of increased efficiency and capacity from the opening of these additional distribution centers, and we may experience increased costs in connection with our new distribution centers that we have not previously considered. Any disruptions in our receiving and distribution system or increased costs as a result of our new distribution centers could have a material adverse effect on our reputation, business, financial condition, and results of operations. We are subject to import and other international risks as a result of our reliance on foreign manufacturers and vendors to supply a significant portion of our merchandise. ~~We Although our Showrooms are based solely in the United States, we~~ rely on foreign manufacturers and vendors to supply a significant portion of our merchandise. ~~Approximately 60 % of our net revenue was generated from sales of products from vendors outside of North America during 2023.~~ Our significant international supply chain increases the risk that we will not have adequate and timely supplies of various products due to local political, economic, social or environmental conditions, political instability, international conflicts, acts of terrorism, natural disasters, epidemics (including the COVID- 19 pandemic), transportation delays, dock strikes, inefficient freight requirements, restrictive actions by foreign governments, changes in foreign laws, trade policy and regulations affecting exports, or changes in ~~United States~~ **U. S.** laws, trade policy and regulations affecting imports or domestic distribution. All of our products imported into the United States are subject to **import taxes or costs, including new or increased tariffs, or similar duties collected, some of which could be applied retroactively, and modification to or withdrawal from free trade agreements or trade relationships, could increase the cost of the products that we distribute. For example, the U. S. has recently signaled its intention to change U. S. trade policy, including potentially renegotiating**

or terminating existing trade agreements and leveraging tariffs. In February 2025, the U. S. imposed additional tariffs on imports from China and announced and subsequently paused implementation of tariffs on imports from Canada and Mexico. These additional tariffs, as well as a government's adoption of "buy national" policies or retaliation by another government against such ~~the U. S. Customs Service. We may be subjected to additional duties or tariffs~~, or policies could introduce significant uncertainty into ~~monetary penalties, the seizure market and forfeiture~~ may affect the prices of and supply of the products available we are attempting to ~~us~~ import or the loss of import privileges if we or our vendors are found to be in violation of U. S. laws and regulations applicable to the importation of our products. Tariffs also can impact our or our vendors' ability to source product efficiently or create other supply chain disruptions. ~~We~~ The U. S. government has enacted certain tariffs and proposed additional tariffs on many items sourced from China, including certain furniture, furniture parts, and raw materials for domestic furniture manufacturing products imported into the United States. Although we have not historically purchased a significant amount of product from China, we may not be able to fully or substantially mitigate the impact of these or future tariffs, pass price increases on to our clients or secure adequate alternative sources of products, which would have a material adverse effect on our business, operating results and financial performance. Changes in the health of the high- end housing market, as well as declines in consumer confidence and consumer spending, could adversely impact our revenue and results of operations. Our business depends on client demand for our products and, consequently, is sensitive to a number of factors that influence consumers spending, including general economic conditions, client disposable income, fuel prices, recession and fears of recession, unemployment, war and fears of war, outbreaks of disease (such as the COVID- 19 pandemic), adverse weather, availability of client credit, client debt levels, conditions in the housing market, interest rates, sales tax rates and rate increases, inflation, consumers' confidence in future economic and political conditions, and client perceptions of personal well- being and security. In particular, past economic downturns have led to decreased discretionary spending, which adversely impacted our business. Consumer confidence and consumer spending may deteriorate significantly and could remain depressed for an extended period of time. Consumer demand for and purchases of discretionary items, including our merchandise, generally decline during periods when disposable income is limited, unemployment rates increase or there is economic uncertainty. An uncertain economic environment could also cause our vendors to go out of business or our banks to discontinue lending to us or our vendors, or it could cause us to undergo restructurings, any of which could adversely impact our business and operating results. Moreover, as we target consumers of high- end home furnishings for our products, our sales are particularly affected by the financial health of higher- end consumers and demand levels from that consumer demographic. In addition, not all macroeconomic factors are highly correlated in their impact on lower- end housing versus higher- end housing consumers. Demand for lower priced homes and first time home buying may be influenced by factors such as employment levels, interest rates, demographics of new household formation and the affordability of homes for the first time home buyer. The higher- end of the housing market may be disproportionately influenced by other factors including the number of foreign buyers in higher- end real estate markets in the United States, the number of second and third homes being sold, stock market volatility and illiquid market conditions, global economic uncertainty, decreased availability of income tax deductions for mortgage interest and state income and property taxes, and the perceived prospect for capital appreciation in higher- end real estate. ~~Shifts~~ ~~Increases~~ in interest rates consumption patterns in light of improvements relating to the COVID- 19 pandemic may also have dampen growth in the United States housing market ~~an and impact on~~ may depress consumer spending in optimism about the United States housing market and home buying in the high- higher- end of the housing market. ~~We~~ believe that our client purchasing patterns are influenced by economic factors including the health and volatility of the stock market. ~~Further, historically in recent periods the stock market has experienced significant volatility as well as periods of significant decline~~ ~~and rising house prices have dampened. Continued increases in interest rates may further dampen growth in the U. S. housing market and may depress consumer optimism about the U. S. housing market and home buying in the higher- end of the housing market. We believe that our client purchasing patterns are influenced by economic factors including the health and volatility of the stock market.~~ We have seen that previous declines in the stock market and periods of high volatility have been correlated with a reduction in client demand for our products. There can be no assurance that some of the other macroeconomic factors described above will not adversely affect the higher- end client that we believe makes up the bulk of our client demand. We believe that a number of these factors have in the past had, and may in the future have, an adverse impact on the high- end retail home furnishings sector and affect our business and results. These factors may make it difficult for us to accurately predict our operating and financial results for future periods and some of these factors could contribute to a material adverse effect on our business and results of operations. We are exposed to risks associated with the interruption of supply and increased costs as a result of our reliance on third- party transportation carriers for shipment of our products. We rely upon, and have contracts with, third- party carriers to transport products from our vendors and to our distribution centers, third- party warehouses and Showrooms for delivery to our clients. As a result of our dependence on third- party providers, we are subject to risks, including labor disputes, union organizing activity, adverse weather, natural disasters, climate change, the closure of our carriers' offices or a reduction in operational hours due to an economic slowdown or the inability to sufficiently ramp up operational hours during an economic recovery or upturn, availability of adequate trucking or railway providers, possible acts of terrorism, international conflicts, outbreaks of disease (such as the COVID- 19 pandemic) or other factors affecting such carriers' ability to provide delivery services and meet our shipping needs, disruptions or increased fuel costs and costs associated with any regulations to address climate change. For example, due to the outbreak of the COVID- 19 pandemic, our third- party providers experienced transportation disruptions and restrictions, labor shortages, vessel schedule changes, congestion and delays at ports, and a shortage of shipping containers needed to ship our products, which adversely impacted our inventory levels and resulted in a high number of client backorders. Recently, we have experienced delays related to disruptions in international shipping channels. Failure to deliver merchandise in a timely and effective manner could cause clients to cancel their orders and could damage our brand and reputation, which could have a material adverse effect on our business, financial

condition, operating results and prospects. Our reputation for providing a high level of client service is dependent on such third-party transportation providers delivering our product shipments in a timely manner. Further, in the event of delays by a third-party carrier, we may have to transition to a different third-party carrier, and such transition can take months to effectuate. In addition, fuel costs have been volatile, and transportation companies continue to struggle to operate profitably, which could lead to increased fulfillment expenses. Any rise in fulfillment expenses could negatively affect our business and operating results. Increased commodity prices or increased freight and transportation costs could adversely affect our results of operations. Our operating results are significantly affected by changes in product costs due to commodity cost increases or inflation, including with respect to freight and transportation costs. Prices of certain commodities used in our merchandise, such as petroleum, resin, copper, steel, cotton and lumber, are subject to fluctuation arising from changes in currency exchange rates, tariffs and trade restrictions and labor, fuel, freight and other transportation costs. In recent years, we have faced significant inflationary pressure on freight costs, which were heightened by tariff-related shipment surges and port congestion. Due to the uncertainty of commodity price fluctuations and inflation, we may not be able to pass some or all of these increased costs on to our clients, which may result in lower margins. Even if we are able to pass these increased costs on to our clients, we may not be able to do so on a timely basis. Accordingly, any rapid and significant changes in commodity prices or other supply chain costs may have a material adverse effect on our gross margins, operating results and financial performance. Our business and operating results may be harmed if we are unable to timely and effectively deliver merchandise to our clients and manage our supply chain. If we are unable to effectively manage our inventory levels and the responsiveness of our supply chain, including predicting the appropriate levels and type of inventory to stock within our distribution centers, our business and operating results may be harmed. For example, in recent years we experienced elevated levels of demand for many of our products, and as a result, encountered delays in fulfilling this demand and replenishing to appropriate inventory levels. Furthermore, demand for our products is influenced by certain factors, like the popularity of certain Showroom aesthetics, cultural and demographic trends, marketing and advertising expenditures, and general economic conditions, all of which can change rapidly and result in a quick shift in consumer demand. As a result, consumer preferences cannot be predicted with certainty and may change between selling seasons. We must be able to stay current with preferences and trends in our brands and address the consumer tastes for each of our target consumer demographics. We may not always be able to respond quickly and effectively to changes in consumer taste and demand due to the amount of time and financial resources that may be required to bring new products to market or to constraints in our supply chain if our vendors do not have the capacity to handle elevated levels of demand for part or all of our orders or could experience delays in production for our products. If we misjudge either the market for our merchandise or our clients' purchasing habits or we experience continued or lengthy delays in fulfilling client demand, our clients could shop with our competitors instead of us, which could harm our business. Additionally, much of our merchandise requires that we provide vendors with significant ordering lead times and we may not be able to source sufficient inventory if demand for a product is greater than anticipated. Alternatively, we may be required to mark down certain products to sell any excess inventory or to sell such inventory through our Outlets or other liquidation channels at prices that are significantly lower than our retail prices, any of which would negatively impact our business and operating results. The inability to respond quickly to market changes could have an impact on our expected growth potential and the growth potential of the market. Our ~~Our~~ continued success is substantially dependent on our positive brand identity. The success of our operations is dependent, in part, on our ability to preserve, grow and utilize the value of our reputation as a top-quality brand in home furnishings. Reputational value is based in large part on perceptions of subjective qualities, and even isolated incidents may erode our clients' trust and confidence in our brand and products. Damage to our reputation could arise from product failures, data privacy or security incidents, litigation or various forms of adverse publicity, especially in social media outlets, and may generate negative client sentiment, and could have an adverse impact on our business ~~has been and may~~ results of operations. We continue to invest in ~~be affected by the~~ significant development of our ~~and brand~~ widespread risks posed by an ~~and outbreak~~ the marketing of infectious disease ~~our~~ business. Our increased focus on elevating Arhaus as a luxury brand further increases the importance of our brand image, position and reputation. We believe that maintaining and enhancing our brand is integral to the future of our business and to the implementation of our strategies for expanding our business. This will require us to continue to make investments in areas such as marketing and advertising, as well as ~~the COVID-day~~ to 19 pandemic. The global outbreak of COVID-19 ~~day~~ investments required for the operations of our Showrooms, website operations and employee training. Our ~~and brand~~ image may be diminished if new products, services or ~~the other~~ resulting health crisis, caused significant businesses fail to maintain or enhance our distinctive ~~and brand~~ widespread disruptions to the U ~~image~~, which could have a material adverse impact on our business and results of operations. ~~S~~ Additionally, our reputation could be jeopardized if we fail to maintain high standards for merchandise and service quality. With the growth in importance and the impact of social media, any negative publicity from product defects, recalls or failures in service may be magnified and reach a large portion of our client base in a very short period of time, which could harm the value of our ~~and brand~~ and global economies, consequently, our financial performance could suffer and consumer markets, and our business. We may also suffer reputational harm if we fail ~~The COVID-19 outbreak in the first quarter of 2020 caused disruptions to~~ maintain high ethical, social and environmental standards for all of our business operations. ~~In~~ and activities, if we fail to comply with local laws and regulations ~~our~~ or initial response to ~~if we experience the other negative events that affect our image~~ COVID-19 health crisis, we undertook immediate adjustments to our ~~or reputation~~ business operations including temporarily closing all of our retail locations, minimizing expenses and delaying investments, including pausing some inventory orders while we assessed the status of our business. Our approach ~~Any failure~~ to maintain the crisis evolved quickly as our business trends substantially improved during the second through fourth quarters of 2020 as a result of both the reopening of our Showrooms and also strong consumer demand for our products. During the course of the COVID-19 pandemic, public health officials and ~~brand image could~~ other governmental authorities imposed mitigation measures, regulations and requirements to

address the spread of COVID-19. Public health officials and other governmental authorities also imposed directives that required changes in our business practices. The scope and duration of these mitigation measures and directives evolved throughout the course of the COVID-19 pandemic. Depending on the future course of any outbreaks of infectious diseases, we may experience restrictions and temporary closures of our Showrooms and Outlets. Although we continued to serve our clients and operate our business throughout the COVID-19 pandemic, there can be no assurance that future outbreaks of infectious diseases will not have an **a material adverse** effect on our **business sales**, results of operations or **financial condition**. Future adverse developments in connection with infectious disease outbreaks, including further outbreaks and new strains or variants of COVID-19, evolving international, federal, state and local restrictions and safety regulations in response to such outbreaks, changes in consumer behavior and health concerns, the pace of economic activity, or other similar issues could adversely affect our business, results of operations or financial condition in the future, or our financial results and business performance in future periods. Due to COVID-19, we experienced constraints in our merchandise supply chain, which resulted in delays in the manufacture, supply, distribution, transportation and delivery of our products and our inventory levels. COVID-19 also impacted a range of factors involved in the development of new Showrooms, including delays in construction, permitting and other necessary governmental actions. We may experience disruptions in the event of future outbreaks, which may require changes to our real estate strategy and related capital expenditure. We may also be required to make lease payments in whole or in part for Showrooms that are required to close in the event of resurgences in COVID-19 or other similar outbreaks. Any efforts to mitigate the costs of construction delays and deferrals, retail closures and other operational difficulties, such as by negotiating with landlords and other third parties regarding the timing and amount of payments under existing contractual arrangements, may not be successful, and as a result, our real estate strategy may have ongoing significant liquidity needs even as we make changes to our planned operations and expansion cadence. In addition, governmental authorities imposed regulations or requirements with respect to the compensation of our employees or the manner or location in which our employees may work. At various times during the COVID-19 pandemic, many of our employees were subject to state and local shelter-in-place requirements, which varied over time and resulted in many members of our team being required to work remotely. In the event necessary in the future, these working arrangements and other related restrictions, including severe limitations on travel, may have an **and prospects** effect on our operations and the ability of our executives to lead our teams. Although we have technology and other resources to support such work requirements, there can be no assurance that we will not suffer material risks to our business, operations, productivity and results of operations as a result of these types of restrictions. If a significant percentage of our workforce is unable to work, including because of illness or travel or government restrictions in connection with an outbreak of infectious disease, our operations may be negatively affected, potentially materially adversely affecting our business, liquidity, financial condition or results of operations. To the extent outbreaks of infectious diseases adversely affect our business, they may also have the effect of heightening many of the other risks described in this “Risk Factors” section. We have identified material weaknesses in our internal control over financial reporting. If our remediation of these material weaknesses is not effective, or if we identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting in the future, we may not be able to report accurately or timely our financial condition or results of operations, which may adversely affect investor confidence in us, and as a result, the value of our Class A common stock. We are subject to the SEC’s internal control over financial reporting (“ICFR”) and auditor attestation requirements. During the course of preparing for our IPO, we identified material weaknesses in our ICFR as described below and these material weaknesses remained outstanding as of December 31, **2023-2024**. A material weakness is a deficiency, or a combination of deficiencies, in **ICFR internal control over financial reporting**, such that there is a reasonable possibility that a material misstatement of **our a company’s** annual or interim **consolidated** financial statements will not be prevented or detected on a timely basis. • We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we lacked a sufficient complement of professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately. Additionally, the lack of a sufficient number of professionals resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives, as demonstrated by, amongst other things, insufficient segregation of duties in our finance and accounting functions. This material weakness contributed to the following additional material weaknesses. • We did not design and maintain accounting policies, procedures and controls, or maintain documentary evidence of existing control activities over significant accounts and disclosures to achieve complete, accurate and timely financial accounting, reporting and disclosures, including adequate controls over the period-end financial reporting process, the preparation and review of account reconciliations and journal entries, including segregation of duties and assessing the reliability of reports and spreadsheets used in controls. • We did not design and maintain effective controls to address the identification of and accounting for certain non-routine or complex transactions, including the proper application of U. S. GAAP of such transactions. **Specifically, we did not design and maintain controls to timely or appropriately account for our incentive unit plan.** These material weaknesses resulted in a restatement of our previously issued annual consolidated financial statements as of and for the years ended December 31, 2020 and 2019 principally related to selling, general and administrative expenses and other long-term liabilities, and misclassifications in the balance sheets and statements of comprehensive income. These material weaknesses also resulted in immaterial adjustments recorded prior to the issuance of the consolidated financial statements as of and for the year ended December 31, 2021 principally related to property, furniture and equipment, net, selling, general and administrative expenses and misclassifications in the balance sheet and statement of cash flows. In preparation of the December 31, 2023 consolidated financial statements **and in preparation of the March 31, 2024 condensed consolidated financial statements**, these material weaknesses resulted in **a restatement restatements** as of and for the interim period ended September 30, 2023 and revisions as of and for the annual periods ended December 31, **2023**, 2022 and 2021, and as of and for the interim periods ended **June 30, 2023**, March 31, **2023**, **December 31, 2022**, **September 30**, 2022,

June 30, 2022 and September 30, 2022, December 31, 2022, March 31, 2023 and June 30, 2023, principally related to prepaid and other current assets, and property, furniture and equipment, net and operating lease liabilities, which resulted in misclassifications in the balance sheets and statements of cash flows and the timely recording of liabilities, operating right-of-use assets and operating lease liabilities. There were also immaterial misstatements. Additionally, each of the material weaknesses could result in misstatements to substantially all of our accounts or disclosures, that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. • Lastly, we did not design and maintain effective controls over information technology (“IT”) general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain: (i) program change management controls for financial systems to ensure that information technology program and data changes affecting financial applications and underlying accounting records are identified, tested, authorized and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate Company personnel; (iii) computer operations controls to ensure that critical batch jobs are monitored and data backups are authorized and monitored; and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements. These IT deficiencies did not result in material adjustments to our consolidated financial statements, however, the deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. Accordingly, management has determined these IT deficiencies in the aggregate constitute a material weakness. Remediation Activities **As of December 31, 2024, With the oversight of senior management and our Audit Committee, we continue to assess, implement and redesign our ICFR. While the material weaknesses are not considered remediated until the related internal controls are tested and deemed to be operating effectively, we have designed-made progress and begun-continue to implement a-our remediation plan which includes as follows:** • **Updating our policies and procedures to establish- Established a taskforce and maintain effective segregation of cross functional senior members of duties for our accounting staff in relation to journal entries, reconciliations and other-- the applicable processes-Company’s leadership to manage deficiency remediation.** • **The taskforce is composed of internal resources and external advisors with expertise in Designing-designing and implementing internal financial reporting procedures and controls to improve. Our remediation plan includes the development completeness, accuracy and timely preparation of actions plans for individual control deficiencies financial reporting and disclosures inclusive of establishing an ongoing program to provide sufficient training to our finance and accounting staff.** • **Enhancing Outsourced our internal audit department to a third-party service firm and transitioned our former internal audit department to our business process improvement function. The business process improvement function is assisting in the design and operation-implementation of controls along with the development and execution of the remediation action plans.** • **Established regular meetings between senior management and members of the Audit Committee to discuss and report on remediation progress and objectives. Additionally, progress updates are regularly provided to the Board of Directors.** • **Trainings have been and will continue to be conducted with control owners and performers on various topics including, but not limited to: – user access review completion; – review and conclusions around Systems and Organization Control I (“SOI”) reports; – software used in accounting; – validation of the system generated data used in the execution of a control activities; – account reconciliation formats and required support; – journal entry review procedures to ensure that access to IT applications and data is adequately restricted support; and – maintaining evidence of control support.** • **Assessed the competency and quantity of accounting personnel to determine the appropriate personnel composition and expertise.** • **Hiring-As a result, we hired additional competent and qualified technical accounting and financial reporting personnel with appropriate knowledge and experience of U. S. GAAP and SEC financial reporting requirements.** • **We have also hired subject matter experts with knowledge and experience with lease accounting. We are taking steps to ensure that the leaders in the accounting department have the appropriate knowledge and experience to design, including execute and / or provide appropriate oversight of activities related to ICFR. We will continue to assess our personnel needs.** • **Hired and will continue to hire additional personnel with the knowledge and experience to identify and account for non-routine and/or complex transactions, including the proper application of U. S. GAAP to design such transactions, as well as execute and / or provide appropriate oversight of activities related to ICFR. Since the end of 2021, 15 additional personnel have been added to the accounting, financial reporting and business process teams.** • **Enhanced our communications to employees on our internal control environment and related expectations. We continue to take steps to ensure personnel both existing and newly hired are adequately trained with the appropriate level of knowledge and understanding of ICFR and its importance.** • **Commenced and continue to update our policies and procedures to establish and maintain effective segregation of duties for our accounting staff in relation to journal entries, reconciliations and other applicable processes. To supplement existing procedures, management plans to utilize account reconciliation software tools which are expected to increase the reliability around the monthly financial statement close procedures.** • **Designed and implemented formal processes, policies and procedures to support our financial close process, including but not limited to: – formalized procedures over the review of our financial reporting statements; – implemented period-end closing task checklists; and – standardized reconciliation process. Management will continue to evaluate and refine its financial statement close process. The processes, policies and procedures to support or-our financial close process will need to operate for a period of time and be tested for operating effectiveness.** • **Designed and implemented policies and procedures for accounting for equity-based compensation awards, which include: – Engaged a third-party service provider to administer and disburse awards to award recipients. – Established procedures to**

evaluate equity- based compensation awards to ensure that the awards have the appropriate accounting classification under U. S. GAAP including the determination of the fair value of such awards. • Enhanced the design of the control activities over the review of our consolidated balance sheet and statement of cash flows to help ensure that the classification of operating and investing activities is appropriately presented in the statement of cash flows. • Designed and implemented policies and procedures, including but not limited to: – lease accounting; – revenue recognition; – goodwill and other long- lived assets; – fixed assets and software capitalization; – merchandise warranties; and – income taxes. • Enhanced company policies related to review of significant contracts prior to execution for critical accounting terms. • Engaged third- party consultants to assist senior management with the evaluation of our technology platforms and the potential providers for replacement technology platforms to redesign and strengthen the IT general control environment. • Assessed and continue to evaluate the IT function to ensure that it is adequately staffed with personnel with the appropriate knowledge and competency of ICFR needed for an effective IT general control environment . • Continued to enhance the design and operation of user access control activities and procedures to help ensure access to IT applications and data is adequately restricted to appropriate personnel, including the implementation of user and privileged access reviews, password policy enforcement and user provisioning and deprovisioning. • Commenced designing and implementing additional program change management policies and procedures, control activities, and tools to help ensure that changes affecting key financial systems related to IT applications and underlying accounting records are identified, authorized, tested, and implemented appropriately. • Designing and implementing a formal systems development lifecycle methodology and related program development controls to help ensure that significant IT change events are appropriately tested and approved. These controls will need to operate for a period of time and be tested for operating effectiveness. • Enhancing the design and operation of control activities and procedures within the computer operations domain to help ensure that key batch jobs and interfaces are monitored, processing failures are adequately resolved, and recovery capability is tested. • Enhancing data backup procedures to help ensure that systems are adequately backed up and maintained and recovery of data from backups is tested. • Commenced identifying and evaluating key IT dependencies including key reports, automated application controls, interfaces and end user computer facilities-operations . • Commenced hiring additional personnel to enhance the segregation of duties in the IT department, particularly as it relates to the segregation of activities between IT development and IT operations. • We are in the early stages of a company- wide initiative to modernize the Company’ s IT infrastructure to be capable of automating many of our manual financial reporting processes, Enhancing our information technology the design of the control environment activity over the review of our consolidated balance sheet and mitigating statement of cash flows to ensure the classification of operating underlying internal control gaps and limitations that cannot be remediated within current systems investing activities is appropriately presented in the statement of cash flows. While the material weaknesses Although we have developed and will continue to evaluate our plan, we are in not considered remediated until the related process of implementing internal controls are tested and deemed to be operating effectively, we have made progress under our remediation plan. As of December 31, 2023, we: • Commenced the design and implementation of formal processes, policies, and procedures supporting our financial close process, including formalizing procedures over the review of financial statements. • Commenced the design and implementation of policies and procedures to establish and maintain segregation of duties for our accounting staff in relation to journal entries and account reconciliations. • Continue to hire additional competent and qualified technical accounting and financial reporting personnel with appropriate knowledge and experience of U. S. GAAP and SEC financial reporting requirements. Although we have developed and begun to implement our plan to remediate the material weaknesses and believe, based on our evaluation to date, that the material weaknesses will be remediated in a timely fashion as soon as is practicable, we cannot project a specific timeline on when the plan will be fully implemented. The material weaknesses will not be remediated until the necessary internal controls have been designed, implemented, tested and determined to be operating effectively. In addition, we may need to take additional measures to address the material weaknesses or modify the planned remediation steps, and we cannot be certain that the measures we have taken, and expect to take, to improve our internal controls will be sufficient to address the issues identified, to ensure that our internal controls are effective or to ensure that the identified material weaknesses will not result in a material misstatement of our consolidated financial statements. Moreover, we cannot provide assurance that we will not identify additional material weaknesses in our ICFR in the future. Until we remediate the material weaknesses, our ability to record, process and report financial information accurately, and to prepare our consolidated financial statements within the time periods specified by the rules and forms of the SEC, could be adversely affected. Adverse events in the primary regions of our operations could materially adversely affect our business. Our headquarters and a primary distribution center are located outside of Cleveland, Ohio. We also have distribution centers in North Carolina and Texas. Any extreme weather, natural or man- made disasters, catastrophic events, terrorism, blackouts, widespread illness or unfavorable regional economic conditions could materially adversely affect our business. Such events could result in physical damage to or destruction or disruption of one or more of our properties, physical damage to or destruction of our inventory, the lack of an adequate workforce in parts or all of our operations, supply chain disruptions, data and communications disruptions. The failure to recruit, hire, and retain qualified personnel could materially adversely affect our business. The success of our business depends upon our ability to recruit, hire and retain qualified individuals to work in and manage our Showrooms and manufacturing and distribution centers in the geographic regions in which they our Showrooms and manufacturing and distribution centers are located, and our operations are subject to federal and state laws governing such matters as minimum wages, overtime, working conditions and employment eligibility requirements. Economic factors such as a decrease in unemployment and an increase in mandatory minimum wages at the local, state and federal levels and social benefits, whether intended to be permanent or temporary, as well as increases in wages paid by other employers in markets in which we compete, could have a material impact on our results of operations if we are required to significantly increase wages

and benefits expenditures in order to attract and retain qualified personnel. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, causing our client service to suffer, while increasing wages for our employees could cause our profit margins to decrease. ~~For example, we experienced temporary difficulties recruiting personnel in our manufacturing and distribution centers during the COVID-19 pandemic as a result of enhanced unemployment benefits.~~ Further, qualified individuals for our skilled labor positions, particularly in our manufacturing and distribution centers, are in high demand, and we may experience shortages of skilled labor, which may make it more difficult and expensive for us to attract and retain such qualified employees. Failure to continue to attract a sufficient number of individuals at reasonable compensation levels could have a material adverse effect on our business, reputation and results of operations. We depend on our management's and other team members' experience and knowledge of our industry; we could be adversely affected were we to lose, or experience difficulty in recruiting and retaining, any such members of our team. We are currently managed by a group of experienced senior executives, including our Founder and CEO, John Reed, and other key team members with substantial knowledge and understanding of the industry sector in which we operate. Our success and future growth depend largely upon the continued services of our management team. If, for any reason, our executives do not continue to be active in management, or we lose such persons, or other key team members, or we fail to identify and / or recruit for current or future positions of need, our business, financial condition or results of operations could be adversely affected. We have and will continue to incur capital expenditures for the remodeling of our existing Showrooms, and there is no guarantee that this will result in incremental Showroom traffic or sales, which may adversely impact our results of operations and financial performance. We believe our clients' experience in our Showrooms is important to our brand. Accordingly, we may remodel our existing Showrooms to improve our clients' experience and reflect our new Showroom design, products and the latest market trends. The remodeling of our Showrooms requires significant capital expenditure and there is no guarantee that the capital spent on our remodeled Showrooms will result in increased traffic or be offset by increased revenue, which would materially adversely affect our results of operations and financial performance. Merchandise purchased from our vendors that is defective or otherwise does not meet our product quality standards could damage our reputation and brand image and harm our business, and we may not have adequate remedies against our vendors for such merchandise. Some of our merchandise has failed to meet our expectations and objectives concerning quality. We have in recent periods, and may in the future, recall products from the market due to quality or other issues. Despite our continual efforts to deliver our clients satisfying experiences in our Showrooms, we may fail to maintain the necessary level of quality for some of our products in order to satisfy our clients. For example, our vendors may not be able to continuously adhere to our quality control standards, and we might not identify a quality deficiency before merchandise ships to our Showrooms or clients. Our failure to supply high quality merchandise in a timely and effective manner to our clients, our announcement of product recalls, or any perception that we are not adequately maintaining our sourcing and quality control processes in order to anticipate product quality issues could damage our reputation and brand image, and could lead to an increase in product returns or exchanges or client litigation against us and a corresponding increase in our routine and non-routine litigation costs. Further, any merchandise that does not meet our quality standards, **our clients' perception of value** or applicable government requirements could trigger high rates of client complaints or returns, become subject to a product recall and / or attract negative publicity, which could in turn damage our reputation and brand image, result in client litigation (including class- action lawsuits), and harm our business. With the growth in importance and the impact of social media, the magnitude of such harm to our business, reputation and brand image may be significantly amplified. We are making changes in many aspects of our business processes that affect our clients, including improvements in product quality and enhancements in sourcing and product availability, which are expected to include increasingly significant operational and other changes in the near term. This may complicate our supply chain and quality control process, and any inability to invest sufficient resources in quality control and compliance processes or significant turnover in the personnel dedicated to such function may result in quality control issues or product recalls. Even if we detect that merchandise is defective or otherwise not in compliance with our product quality standards before such merchandise is shipped to our clients, we may not be able to return such products to the vendor, obtain a refund of our purchase price from the vendor or obtain other indemnification from the vendor. The limited capacities of certain of our vendors may constrain the ability of such vendors to replace any defective merchandise in a timely manner. Similarly, the limited capitalization and liquidity of certain of our vendors and their lack of insurance coverage for product recall claims may result in such vendors being unable to refund our purchase price or pay applicable penalties or damages associated with any such defects or resulting product recalls. **Our continued success is substantially dependent..... of operations, financial performance and prospects**. Use of social media and influencers may materially and adversely affect our reputation or subject us to fines or other penalties. We use third- party social media platforms as marketing tools, among other things. For example, we maintain Instagram, Facebook and Pinterest accounts, as well as our own content on our website. We maintain relationships with many social media influencers and may engage in sponsorship initiatives. As existing eCommerce and social media platforms continue to rapidly evolve and new platforms develop, we must continue to maintain a presence on these platforms and establish presences on new or emerging popular social media platforms. If we are unable to use social media platforms as marketing tools in a cost- effective manner or if the social media platforms we use do not evolve quickly enough for us to fully optimize such platforms, our ability to acquire new clients and our financial condition may suffer. Furthermore, as laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees, our network of social media influencers, our sponsors or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices or otherwise could subject us to regulatory investigations, class action lawsuits, liability, fines or other penalties and have a material adverse effect on our business, financial condition and operating results. In addition, an increase in the use of social media for marketing may cause an increase in the burden on us to monitor compliance of such materials, and increase the risk that such materials could contain problematic product or marketing claims in violation of applicable regulations. For example, in some cases, the Federal Trade

Commission, or the FTC, has sought enforcement action where an endorsement has failed to clearly and conspicuously disclose a material relationship between an influencer and an advertiser. If we were held responsible for the content of influencers' posts under FTC regulations and guidelines, we could be forced to alter our practices, which could have a material adverse effect on our business, financial condition, and results of operations. Negative commentary regarding us, our products or influencers and other third parties who are affiliated with us may also be posted on social media platforms and may be adverse to our reputation or business. Influencers with whom we maintain relationships could engage in behavior or use their platforms to communicate directly with our clients in a manner that reflects poorly on our brand and may be attributed to us or otherwise adversely affect us. It is not possible to prevent such behavior, and the precautions we take to detect this activity may not be effective in all cases. The harm may be immediate, without affording us an opportunity for redress or correction. We rely on third parties to drive traffic to our website, and these providers may change their algorithms or pricing in ways that could negatively impact our business, results of operations, financial condition and prospects. We rely in part on digital advertising, including search engine marketing and social media advertising, to promote awareness of our brand, grow our business, attract new clients and retain existing clients. In particular, we rely on search engines, such as Google, and social media platforms such as Instagram, Facebook and Pinterest as important marketing channels. In addition to purchasing traditional advertising space on search engines and social media platforms, we also partner with influencers who promote our brand and products to their followers. If search engines or social media platforms change their algorithms, terms of service, display or the featuring of search results, determine we are out of compliance with their terms of service or if competition increases for advertisements, we may be unable to cost-effectively market through these channels. Further, changes to third-party policies that limit our ability to deliver, target or measure the effectiveness of advertising, including changes by mobile operating system and browser providers such as Apple and Google, could reduce the effectiveness of our marketing. We also cannot accurately predict if the followers of our social media influencer partners will be interested in buying our products, or if our influencer partners will maintain their follower numbers throughout the time of our partnerships. Our relationships with our marketing vendors are not long term in nature and do not require any specific performance commitments. In addition, many of our online advertising vendors provide advertising services to other companies, including companies with whom we may compete. As competition for online advertising has increased, the cost for some of these services has also increased. Our marketing initiatives may become increasingly expensive and generating a return on those initiatives may be difficult. Even if we successfully increase revenue as a result of our paid marketing efforts, such increase may not offset the additional marketing expenses we incur. From time to time we are subject to client or other various legal proceedings which could adversely affect our business, financial condition, results of operations and cash flows. We are involved in various litigation matters from time to time. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Moreover, our operations are characterized by a high volume of client traffic and by transactions involving a wide array of product selections. These operations carry a higher exposure to client litigation risk when compared to the operations of companies operating in many other industries. Consequently, we have been, and may in the future be from time to time, involved in lawsuits seeking cash settlements for alleged personal injuries, property damages and other business-related matters, as well as product liability and other legal actions in the ordinary course of our business. While these actions are generally routine in nature and incidental to the operation of our business, if our assessment of any action or actions should prove inaccurate and / or if we are unsuccessful in our defense in these litigation matters, or any other legal proceeding, we may be forced to pay damages or fines, enter into consent decrees or change our business practices, any of which could adversely affect our business, financial condition or results of operations. Further, adverse publicity about client or other litigation may negatively affect us, regardless of whether the allegations are true, by discouraging clients from purchasing our products. Our failure to successfully manage the costs and performance of our print media might have a negative impact on our business. Print media mailing is a significant component of our marketing activities. The cost of catalog production, printing and distribution impacts our operating margin and increases in these costs may not be offset by increased revenue generated. In addition, postal service delays can affect the timing of catalog delivery, which could cause clients to forego or defer purchases. Moreover, we rely on one printer for all of our catalog printing work, which subjects us to various risks if the vendor fails to perform under our agreement. We have historically experienced fluctuations in our clients' response to our catalogs. Client response to our catalogs is substantially dependent on merchandise assortment, availability and creative presentation, as well as the consumers to whom the catalogs are directed, timing of delivery of our mailings, the general retail sales environment and current domestic and global economic conditions. If we misjudge the correlation between our catalog marketing and net revenue, or if our catalog strategy overall does not continue to be successful, our results of operations could be negatively impacted. Our failure to successfully anticipate merchandise returns might have a negative impact on our business. We record a reserve for merchandise returns based on historical return trends together with current product sales performance in each reporting period. If actual returns are greater than those projected and reserved for by management, additional sales returns might be recorded in the future. In addition, to the extent that returned merchandise is damaged, we often do not receive full retail value from the resale or liquidation of the merchandise. Further, the introduction of new merchandise, changes in merchandise mix, changes in consumer confidence, or other competitive and general economic conditions may cause actual returns to differ from merchandise return reserves. Any significant increase in merchandise returns that exceeds our reserves could have a material adverse effect on our business, reputation and operating results. Product warranty claims could have a material adverse effect on our business. We provide a limited warranty on merchandise to be free of defects in both construction materials and workmanship, which, if deficient, could lead to warranty claims. We also provide "Worry-Free Protection Plans" that are serviced by a third party and include coverage for incidental and accidental damage not covered by our limited warranty. We maintain a reserve for warranty claims; however, there can be no assurance that our reserve for warranty claims will be adequate and additional warranty reserves may be required. A significant number of or an increase in warranty claims could, among other things, harm our reputation and damage our brand, cause us to incur significant repair and /

or replacement costs, and have a material adverse effect on our business, financial condition, operating results and prospects. If we are unable to successfully adapt to client shopping preferences or develop and maintain a relevant and reliable omni- channel experience for our clients, our financial performance and brand image could be adversely affected. We are continuing to grow our omni- channel business model. While we interact with many of our clients through our Showrooms, our clients are increasingly using computers, tablets and smartphones to make purchases online and to help them make purchasing decisions when in our Showrooms. Our clients also engage with us online through our social media channels, including Instagram, Facebook and Pinterest, by providing feedback and public commentary about aspects of our business. Omni- channel retailing is rapidly evolving. Our success depends, in part, on our ability to anticipate and implement innovations in client experience and logistics in order to appeal to clients who increasingly rely on multiple channels to meet their shopping needs. If for any reason we are unable to continue to implement our omni- channel initiatives or provide a convenient and consistent experience for our clients across all channels that delivers the products they want, when and where they want them, our financial performance and brand image could be adversely affected. Our future growth depends on our ability to successfully implement our organic growth strategy, a major part of which consists of opening new Showrooms. We may be unable to successfully open and operate new Showrooms, which could have a material adverse effect on our business, financial condition, operating results and prospects. As of December 31, 2023-2024, we had 92-103 Showrooms, including ~~four~~ **11 Design Studios and seven Outlet-Outlet stores**, in ~~29-30~~ states in the United States. A major part of our organic growth strategy consists of increasing our Showroom base. Such large- scale projects entail significant risks, including shortages of materials or skilled labor, unforeseen engineering, environmental and / or geological problems, work stoppages, weather interference, unanticipated cost increases and non-availability of construction equipment. ~~We~~ **For example, we** experienced some delays in certain projects on account of the COVID- 19 pandemic' s impact on business conditions and may experience similar delays in the future due to ~~COVID-19 or other~~ similar outbreaks of infectious diseases. There can be no assurance that we will succeed in opening additional Showrooms, which could have a material adverse effect on our business, financial condition, operating results and prospects. Our ability to successfully open and operate new Showrooms depends on many factors, including, among other things, our ability to:

- identify new markets where our brand and products will be accepted and the revenue at our Showrooms will meet our targeted revenue levels;
- obtain desired locations, including Showroom size and adjacencies, in targeted high traffic street and urban locations and top tier retail locations;
- adapt our Showrooms to address public health concerns or public health crises;
- negotiate acceptable lease terms, including satisfactory rent and tenant improvement allowances;
- achieve brand awareness and attract new clients **in new markets; • understand customer preferences** in new markets;
- manage capital expenditures while designing new Showrooms and remodeling our existing Showrooms;
- hire, train and retain Showroom associates and field management;
- assimilate new Showroom associates and field management into our corporate culture;
- source and supply sufficient inventory levels **; • comply with local laws and regulations in new markets as we continue to expand our geographic footprint**;
- employ the adequate technologies needed to serve our clients and protect their transactions with us;
- successfully integrate new Showrooms into our existing operations and information technology systems; and
- meet our capital needs, including to fund the opening of new Showrooms.

In addition, once our new Showrooms are opened, we may not be able to achieve our targeted increase in revenue or targeted operating and financial metrics at such Showrooms, or it may take longer than anticipated to do so. Accordingly, there can be no assurance that we will be able to achieve our growth targets by successfully implementing our growth strategy. Such risks, in addition to difficulties or delays in obtaining any required licenses and permits, unavailability of desired Showroom locations, delays in the acquisition or opening of new Showrooms, delays or costs resulting from a decrease in commercial development due to capital restraints, difficulties in staffing and operating new Showroom locations or a lack of client acceptance of Showrooms in new market areas, could lead to significant costs and delays and may negatively impact our new Showroom growth, the profitability associated with new Showrooms and our future financial performance. Our ability to attract clients to our Showrooms depends heavily on successfully locating our Showrooms in suitable locations. Any impairment of a Showroom location, including any decrease in client traffic, could cause our sales to be lower than expected. We believe our Showrooms and the client' s Showroom experience are key for generating and increasing revenue. We plan to open new Showrooms in high traffic locations and historically we have favored top tier mall locations near luxury and contemporary retailers that we believe are consistent with our target clients' demographics and shopping preferences. Revenues at these Showrooms are derived, in part, from the volume of foot traffic in these locations. Showroom locations may become unsuitable due to, and our revenue volume and client traffic generally may be harmed by, among other things:

- economic downturns in a particular area;
- competition from nearby retailers selling similar products;
- changing client demographics in a particular market;
- changing preferences of clients in a particular market;
- the closing or decline in popularity of other businesses located near our Showroom;
- reduced client foot traffic outside a Showroom location; and
- Showroom impairments due to acts of God, pandemic, terrorism, protest or periods or civil unrest.

Even if a Showroom location becomes unsuitable, we will generally be unable to cancel the long- term lease associated with such Showroom. Our estimated addressable market is subject to inherent challenges and uncertainties. If we have overestimated the size of our addressable market, our future growth opportunities may be limited. We have determined our total addressable market based on, among other things, our analysis of the historical market size of the **United States U.S.**-residential furniture and décor market, our observation and analysis of recent trends, client behaviors and client satisfaction, our estimates and expectations concerning future growth of the **United States U.S.**-residential furniture market, including expected growth of the premium furniture segment, as well as other information derived from third- party research commissioned by us. As a result, our estimated total addressable market is subject to significant uncertainty and is based on assumptions that may not prove to be accurate. Our estimates are based, in part, on third- party reports and are subject to significant assumptions and estimates. These estimates, as well as the estimates and forecasts in this Annual Report relating to the size and expected growth of the markets in which we operate, and our penetration of those markets, may change or prove to be inaccurate. While we believe the information on which

we base our total addressable market is generally reliable, such information is inherently imprecise. In addition, our expectations, assumptions and estimates of future opportunities are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described herein. If third- party or internally generated data prove to be inaccurate or we make errors in our assumptions based on that data, our future growth opportunities may be affected. If our addressable market proves to be inaccurate, our future growth opportunities may be limited and there could be a material adverse effect on our prospects, business, financial condition, and results of operations. We operate in a highly competitive industry sector which may adversely affect our future financial performance. The home furnishings sector is highly competitive. We compete with the interior design trade and specialty Showrooms, as well as antique dealers and other merchants that provide unique items and custom- designed product offerings. We also compete with national and regional home furnishing retailers and department Showrooms, including RH, Room & Board, Serena and Lily and Pottery Barn. In addition, we compete with mail order catalogs and online retailers focused on home furnishings. There are an increasing number of online and digital centric business models in the home furnishings sector and the impact of these competitors on other home furnishing businesses is uncertain although some of these digital offerings have gained market share primarily in areas outside the luxury end of the market. We compete generally with these other retailers for clients, suitable retail locations, vendors, qualified employees and senior leadership personnel. Some of our competitors have also attempted to imitate our product offerings and business initiatives from time to time in the past. In addition, many of our competitors have significantly greater national brand recognition or may devote greater resources to the marketing and sale of their products or adopt more aggressive pricing policies than we do. Such competitors may also be able to adapt to changes in client preferences more quickly than we can due to their greater financial or marketing resources, through new product launches or by adapting their business models and operations to new client trends, which may in turn change how our clients acquire products or view our business and brand. There can be no assurance that such competitors will not be more successful than us or that we will be able to continue to maintain our position as a leader in style and innovation in the future. Our lease obligations are substantial and expose us to increased risks. We do not own any of our Showrooms. Instead, we rent all of our Showroom spaces pursuant to leases. Nearly all of our leases require a fixed annual rent, and many of them require the payment of additional rent if Showroom revenues exceed a negotiated amount. Most of our leases are “ net ” leases that require us to pay all costs of insurance, maintenance and utilities, and applicable taxes. Our required payments under these leases are substantial and account for a significant portion of our selling, general and administrative expenses. We expect that any new Showrooms we open will also be leased, which will further increase our lease expense and require significant capital expenditures. Our substantial lease obligations could have significant negative consequences, including, among others: • increasing our vulnerability to general adverse economic and industry conditions; • limiting our ability to obtain additional financing; • requiring a substantial portion of our available cash to pay our rental obligations, reducing cash available for other purposes; • limiting our flexibility in planning for or reacting to changes in our business or in the industry in which we compete; and • placing us at a disadvantage with respect to some of our competitors who sell their products exclusively online. Such risks could lead to significant costs which may negatively impact our growth, the profitability associated with our Showrooms and our financial performance. Growing our business may require additional capital, and if capital is not available to us, our business, operating results and financial condition may suffer. We may need additional capital to continue to grow our business. We may be presented with opportunities that we want to pursue, and unforeseen challenges may present themselves, any of which could cause us to require additional capital. We fund our capital needs primarily from available working capital; however, the timing of available working capital and capital funding needs may not always coincide, and the levels of working capital may not fully cover capital funding requirements. From time to time, we may need to supplement our working capital from operations with proceeds from financing activities. If we seek to raise funds through equity or debt financing, those funds may prove to be unavailable, may only be available on terms that are not acceptable to us or may result in significant dilution in shares of our Class A common stock or higher levels of leverage. If we are unable to obtain adequate financing, or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results and financial condition could be materially and adversely affected. Disruption in the financial markets could have a material adverse effect on client demand and our ability to refund client deposits. We collect deposits from our clients at the time of purchase and in advance of delivering products, and as of December 31, 2023-2024, we had approximately \$ 174-221 million in client deposits. If there were disruptions in the financial markets or economy that led to significant client order cancellations, there can be no assurance that we will have the cash or cash equivalents to refund all client deposits for cancelled orders. If we are unable to refund client deposits or use our client deposits as a source of funding for our operating activities, our reputation and brand may be damaged and our funding costs may increase, which would have a material adverse effect on our business, financial results and condition. Our business operations depend on good relations with our employees. Currently, none of our employees are represented by a union or subject to any collective bargaining agreements. We believe that we have good relations with our employees and that these good relations contribute to the success of our operations. As we continue to grow and enter different regions, unions may attempt to organize all or part of our employee base at certain Showrooms or distribution centers or within certain regions. Responding to such organizational activity may distract management and employees and may have a negative financial effect on our business, financial condition or results of operations. **Our business has been and may in the future be affected by the significant and widespread risks posed by public health emergencies or outbreaks of epidemics, pandemics, or contagious diseases, such as the COVID- 19 pandemic. An epidemic, pandemic, or similar serious public health issue (a “ public health issue ”), and the measures undertaken by governmental authorities to address it, could significantly disrupt or prevent us from operating our business in the ordinary course for an extended period, and thereby, and / or along with any associated economic and / or social instability or distress, have a material adverse impact on our results of operations, cash flows and financial condition. The extent to which a public health issue could**

impact our business, results of operations, financial condition and liquidity will depend on numerous evolving factors, known and unknown, that we cannot predict, including the duration and scope of the public health issue; government, business and individual actions that have been and continue to be taken in response; the impact of the public health issue on national and global economic activity; disruption of the financial and labor markets, including the possibility of a national or global economic recession or depression; the possibility of having to close or limit the hours of operations of our Showrooms; the limitations on operations requiring employees to perform their duties in- person, such as our warehouse operations; the potential for shipping difficulties, including delayed shipments from our suppliers and deliveries to our buyers; and weakened consumer demand. Additionally, the increased number of employees who work remotely during a public health emergency or outbreak could introduce additional operational risk, such as an increased vulnerability to cyber- attacks, and harm productivity and collaboration. In addition, public health issues may also have the effect of exacerbating many of the other risks described elsewhere this “ Risk Factors ” section. Risks Related to Data Privacy and Information Technology If we are unable to effectively manage our eCommerce business sales channel and digital marketing efforts, our reputation and operating results may be harmed. Our eCommerce sales channel currently represents represented approximately 19-17 % of total net revenue in 2023-2024. We believe eCommerce offers a significant growth opportunity and our strategy includes investment in and expansion of our digital platform and eCommerce sales channel. The success of our eCommerce business sales channel depends, in part, on third parties and factors over which we have limited control. We must continuously respond to changing consumer preferences and buying trends relating to eCommerce usage, including an emphasis on mobile eCommerce. Our success in eCommerce has been strengthened in part by our ability to leverage the information we have on our clients to infer client interests and affinities such that we can personalize the experience they have with us. We also utilize digital advertising to target internet and mobile users whose behavior indicates they might be interested in our products. Current or future legislation may reduce or restrict our ability to use these techniques, which could reduce the effectiveness of our marketing efforts. We are also vulnerable to certain additional risks and uncertainties associated with our eCommerce and mobile websites and digital marketing efforts, including: changes in required technology interfaces ; website downtime and other technical failures ; internet connectivity issues ; costs and technical issues as we upgrade our website software ; computer viruses ; vendor reliability ; changes in applicable privacy laws and regulations; compliance costs related to maintaining a reasonable privacy and data security program that addresses constantly evolving legal requirements ; security breaches ; and consumer privacy concerns. We must keep up to date with competitive technology trends and opportunities that are emerging throughout the retail environment, including the use of new or improved technology, evolving creative user interfaces, and other eCommerce marketing trends such as paid search, re- targeting, and the proliferation of mobile usage, among others. We expect to continue to invest capital and other resources in our eCommerce sales channel, but there can be no assurance that our initiatives will be successful or otherwise succeed in driving sales or attracting clients. Our failure to successfully respond to these risks and uncertainties might adversely affect the sales or margin in our eCommerce business sales channel, require us to impair certain assets, and damage our reputation and brands. If we experience security incident (s) that result in data breach (es), we could suffer a loss of sales and increased costs, exposure to significant liability, reputational harm and other negative consequences. No company can be entirely free of vulnerability to attack or compromise given that the techniques used to obtain unauthorized access, disable or degrade service, and obtain information or data change continuously. During the normal course of business, we have experienced and expect to continue to experience attempts to compromise our information systems. We collect, process and store certain personal information and other data relating to individuals, such as our clients, artisan partners, and employees. We rely substantially on commercially available systems, software, tools and monitoring to provide security for our processing, transmission and storage of personal information and other confidential information. We and our vendors have been the subject of hacking, social engineering, phishing attacks or other attacks. Due to these or other causes, we or our vendors have and in the future may suffer a security incident, which allow hackers or other unauthorized parties to gain access to personal information or other data, including payment card data or confidential business information, and we might not discover such issues for an extended period. The techniques used to obtain unauthorized access, to sabotage systems, and to obtain personal information, confidential information, or other data change continuously and generally are not identified until they are launched against a target. As a result, we and our vendors may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, our employees, contractors, vendors or other third parties with whom we do business may attempt to circumvent security measures in order to misappropriate such personal information, confidential information or other data, or may inadvertently release or compromise such data. We expect to incur ongoing costs associated with the detection and prevention of cyber threats. We may incur additional costs in the event of a data breach or other security incident. Our remediation efforts may not be successful and could result in interruptions to our operations. As threats related to cyber- attacks develop and grow, we may also find it necessary to make further investments to protect our data and infrastructure, which may impact our results of operations. Although we have insurance coverage for losses associated with cyber- attacks, as with all insurance policies, there are coverage exclusions and limitations, and our coverage may not be sufficient to cover all possible losses and claims, and we may still suffer losses that could have a material adverse effect on our business (including reputational damage). Material damage to, or interruptions in, our information systems as a result of external factors, staffing shortages, cyber risk, or difficulties in updating our existing software or developing or implementing new software could have a material adverse effect on our business or results of operations, and we may be exposed to risks and costs associated with protecting the integrity and security of our clients’ information. We depend largely upon our information technology systems in the conduct of all aspects of our operations, many of which we are in the midst of replacing or implementing. Our ability to effectively manage our business and coordinate the manufacturing, sourcing, distribution and sale of our products depends significantly on the reliability and capacity of these systems. We also rely on information technology systems to effectively manage, among other things, our business data,

communications, summarizing and reporting results of operations, human resources benefits and payroll management, compliance with regulatory, legal and tax requirements and other processes and data necessary to manage our business. The future operation, success and growth of our business depends on streamlined processes made available through information systems, global communications, internet activity and other network processes. Our information technology systems may be subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, and natural disasters. In addition, damage or interruption can also occur as a result of non- technical issues, including vandalism, catastrophic events, and human error. Damage or interruption to our information systems may require a significant investment to fix or replace the affected system, and we may suffer interruptions in our operations in the interim. Our existing safety systems, data backup, access protection, user management and information technology emergency planning may not be sufficient to prevent data loss or long- term network outages. In addition, these systems can be complex to develop, maintain, upgrade and protect against emerging threats, and we may fail to adequately hire or retain adequate personnel to manage our information systems, accurately gauge the level of financial and managerial resources to invest in our information systems, or realize the anticipated benefits of resources invested in our information systems particularly as our business changes as a result of the many initiatives that we are pursuing. Any material interruptions or failures in our systems or the products or systems of our third party vendors or other third parties that we share data with may have a material adverse effect on our reputation, business, financial condition, or results of operations. In addition, our information systems can face risks to the extent we acquire new businesses but are not able to quickly or comprehensively integrate such acquired businesses into our policies and procedures for addressing cybersecurity risks or identify and address weaknesses in such acquired entity' s information systems, which risks may be compounded to the extent the information systems of an acquired entity are integrated with ours, thus providing access to a broader set of sensitive client information through a compromised network at the acquired entity level, or by permitting an unauthorized party to access our system. If an unauthorized party is able to circumvent our security measures, it could destroy or steal valuable information or disrupt our operations. Any successful breaches or attempted intrusions of our information systems could result in increased costs and potential reputational damage, which could materially adversely affect our reputation, business, financial condition, and results of operations. Additionally, in order for our business to function successfully, we and other vendors and third parties must be able to handle and transmit confidential and personal information securely, including in client orders placed through our website and the success of our eCommerce **operations-sales channel** depends on the secure transmission of confidential and personal information over public networks, including the use of cashless payments. That information includes data about our clients as well as sensitive information about our vendors and workforce, including social security numbers and bank account information. If our systems, or those of our third party service providers, are damaged, misappropriated, interrupted or subject to unauthorized access, information about our clients, vendors or workforce could be stolen or misused. Any failure on the part of us or our third party service providers to maintain the security of this confidential data and personal information, including via the penetration of our network security (or those of our third party service providers) and the misappropriation of confidential and personal information, could result in business disruption, misdirected payments, loss of company intellectual property, damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation, any or all of which could result in the Company incurring potentially substantial costs. Such events could also result in the deterioration of confidence in the Company by employees, consumers and customers and cause other competitive disadvantages. Furthermore, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting additional state and federal proposals addressing data privacy and security. As the data privacy and security laws and regulations evolve, we may be subject to more extensive requirements to protect the client information that we process in connection with the purchases of our products. Our failure to successfully respond to these risks and uncertainties could reduce website sales and have a material adverse effect on our reputation, business, financial condition, or results of operations. Our failure to address risks associated with payment methods, credit card fraud and other consumer fraud, or our failure to control any such fraud, could damage our reputation and brand and could harm our business, results of operations and financial condition. We have in the past incurred and may in the future incur losses from various types of fraudulent transactions, including the use of stolen credit card numbers, and claims that a buyer did not authorize a purchase. In addition, as part of the payment processing process, our client' s credit and debit card information is transmitted to our third- party payment processors, and we may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our client' s credit or debit card information if the security of our third- party credit card payment processors are breached. Furthermore, if we do not secure our online eCommerce **platform-sales channel** or in- store card acceptance mechanisms, customer credit card information could be obtained by an unauthorized third party. Under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder' s signature **for eCommerce transactions**. We do not currently carry insurance against this risk. To date, we have experienced minimal losses from credit card fraud, but we face the risk of significant losses from this type of fraud as our net sales increase. We and our third- party credit card payment processors are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we or our third- party credit card payment processors fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our buyers and sellers in addition to the consequences that could arise from such action or inaction violating or being alleged to violate applicable laws, regulations, contractual obligations or other obligations, including those relating to privacy, data protection and data security as outlined above, including harm to our reputation and market position. Any of these could have an adverse impact on our business, results of operations, financial condition and prospects. Our failure to adequately prevent fraudulent transactions could damage our reputation and market position, result in claims, litigation or regulatory investigations and proceedings or lead to expenses that

could harm our business, results of operations and financial condition. We are required to comply with payment card network operating rules and any material modification of our payment card acceptance privileges could have a material adverse effect on our business, results of operations, and financial condition. Because we accept debit and credit cards for payment, we are subject to the Payment Card Industry Data Security Standard (“ PCI DSS ”), or the PCI Standard mandated by the card brands and administered by the Payment Card Industry Security Standards Council (“ PCI SSC ”), with respect to payment card information. The PCI Standard contains compliance guidelines with regard to our security surrounding the physical and electronic storage, processing and transmission of cardholder data. Compliance with the PCI Standard and implementing related procedures, technology and information security measures requires significant resources and ongoing attention. Costs and potential issues and interruptions associated with the implementation of new or upgraded systems and technology, such as those necessary to achieve compliance with the PCI Standard or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our payment- related systems could have a material adverse effect on our business, results of operations and financial condition. ~~PCI SSC released PCI DSS v. 4 on March 31, 2022. While there is a two year transition period to allow organizations time to plan for and implement the changes to the PCI Standard, the cost of re-compliance could also be substantial and we may suffer loss of critical data and interruptions or delays in our operations as a result.~~ In addition to the PCI Standard, our payment processors may require us to comply with other payment card network operating rules, which are set and interpreted by the payment card networks. These rules and standards govern a variety of areas, including how consumers and clients may use their cards, the security features of cards, security standards for processing, data security and allocation of liability for certain acts or omissions, including liability in the event of a data breach. The payment card networks may change these rules and standards from time to time as they may determine in their sole discretion and with or without advance notice to their participants. These changes may be made for any number of reasons. If the payment card networks adopt new operating rules or interpret or reinterpret existing rules in ways that we or our payment processors find difficult or even impossible to comply with, or costly to implement, it could have a significant impact on our business and financial results. If we are unable to comply with the security standards established by banks and the payment card industry, we may be subject to fines, penalties, damages, civil liability, suspension of registration, restrictions and expulsion from card acceptance programs, which could adversely affect our retail operations. Further, there is no guarantee that, even if we comply with the rules and regulations adopted by the payment card networks, we will be able to maintain our payment card acceptance privileges. We also cannot guarantee that our compliance with network rules, including the PCI Standard, will prevent illegal or improper use of our payments platform or the theft, loss, or misuse of the credit card data of customers or participants, or a security breach.

Risks Related to Our Intellectual Property We may not be able to adequately protect our intellectual property rights. We regard our client lists, trademarks, domain names, copyrights, patents, trade dress, trade secrets, proprietary technology and similar intellectual property as critical to our success. We rely on a combination of trademark, copyright, and patent law, trade dress, trade secret protection, agreements, and other methods together with the diligence of our employees and others to protect our proprietary rights. For a variety of reasons, we might not be able to obtain protection in the United States or internationally for all of our intellectual property. We have only registered trademarks and obtained domain names in jurisdictions where we have a significant business presence, and not in all major jurisdictions. Further, we might not be able to prevent third parties from registering, using or retaining domain names that interfere with our consumer communications or infringe or otherwise decrease the value of our marks, domain names and other proprietary rights. We might be required to spend significant resources to monitor and protect our intellectual property rights. We may not be able to discover or determine the extent of any infringement, misappropriation or other violation of our intellectual property rights and other proprietary rights. We have in the past initiated, and may in the future initiate claims or litigation against others for infringement, misappropriation or violation of our intellectual property rights or proprietary rights or to establish the validity of such rights. We have from time to time encountered other retailers selling products substantially similar to our products or misrepresenting that the products such retailers were selling were our products. We cannot assure you that the steps taken by us to protect our intellectual property rights will be adequate to prevent some infringement of our rights by others (especially with respect to infringement by non-United States U. S.-entities with no physical United States U. S.-presence), including imitation of our products and misappropriation of our images and brand. If we are unable to protect and maintain our intellectual property rights, the value of our brand could be diminished, and our competitive position could suffer. The costs of defending and enforcing our intellectual property assets may incur significant time and legal expense. While we will take all steps necessary to protect and enforce our rights because of factors beyond our control, we may not be entirely successful in protecting our assets, enforcing our rights or collecting on judgments. The inability to acquire, use or maintain our marks and domain names for our sites could substantially harm our business and operating results. We are the owner of various trademarks for our brands and hold trademark registrations for many of them in the United States, Canada and China. We also own the Internet domain names for the Arhaus websites such as Arhaus. com, Arhaus. net, and Arhausfurniture. com, among others. Third parties may use trademarks and brand names similar to Arhaus’ trademarks and brand names and any potential confusion as to the source of goods or services could have an adverse effect on its business and may inhibit its ability to build name recognition in its markets of interest. Third parties may also oppose Arhaus’ trademark applications or otherwise challenge Arhaus’ use of the trademarks. If Arhaus’ trademarks are successfully challenged, Arhaus could be forced to rebrand its products which could result in the loss of brand recognition and could require additional resources devoted to advertising and marketing new brands. Domain names generally are regulated by Internet regulatory bodies. If we do not have or cannot obtain on reasonable terms the ability to use our marks in a particular country, or to use or register our domain name, we could be forced either to incur significant additional expenses to market our products within that country or to elect not to sell products in that country, either of which would adversely affect our business, financial condition and operating results. Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with our ability to use relevant domains or our current

brand. Regulatory bodies also may establish additional generic or countrycode top- level domains or may allow modifications of the requirements for registering, holding or using domain names. As a result, we might not be able to register, use or maintain the domain names that utilize the name Arhaus or our other brands in all of the countries in which we currently or intend to conduct business. If third parties claim that we infringe upon their intellectual property rights, our operating results could be adversely affected. Third parties have in the past asserted, and may in the future assert, intellectual property claims against us, particularly as we expand our business to include new products and product categories and move into other geographic markets. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant monetary liability and prevent us from selling some of our products, incur costs to redesign or rebrand our products or license rights from third parties or cease using those rights altogether, which could have a material adverse impact on our business, financial condition, or results of operations.

Risks Related to Government Regulation We are subject to governmental regulations and may be subject to enforcement if we are not in compliance with applicable regulation, and changes in laws could make conducting our business more expensive or otherwise change the way we do business. We are subject to a broad range of federal, state and local laws and regulations in connection with our core business and private label credit card operations, including labor and employment, customs, privacy and cybersecurity, health and safety, real estate, environmental and zoning and occupancy laws, and other laws and regulations that otherwise govern our business. Our products and their manufacturing, labeling, marketing and sale are also subject to various aspects of the Federal Trade Commission Act, state consumer protection laws and state warning and labeling laws, such as Proposition 65 in California. In addition, various jurisdictions may seek to adopt similar or additional product labeling or warning requirements. As a retail business, changes in laws related to employee benefits and treatment of employees, including laws related to limitations on employee hours, supervisory status, leaves of absence, mandated health benefits or overtime pay, could negatively impact us by increasing compensation and benefits costs for overtime and medical expenses. Changes to **United States U. S.** health care laws, or potential global and domestic greenhouse gas emission requirements and other environmental legislation and regulations, could result in increased direct compliance costs for us (or may cause our vendors to raise the prices they charge us in order to maintain profitable operations because of increased compliance costs), increased transportation costs or reduced availability of raw materials. Our business involves receiving, processing, storing, using and sharing data, some of which contains personal information. We are subject to complex and rapidly evolving laws addressing data protection, and companies are under increased regulatory scrutiny with respect to privacy and data security. The interpretation and application of existing laws regarding this subject are continuing to evolve and many states are considering new regulations in this area. Applicable **United States U. S.** privacy laws or new state or federal laws may limit our ability to collect and use data, require us to modify our data processing practices or result in the possibility of fines, litigation or orders which may have an adverse effect on our business and results of operations. As our business evolves, we may be subject to international privacy laws that further limit our data collection and handling practices. We cannot yet fully determine the impact that such future privacy requirements may have on our business or operations. The burdens imposed by these and other laws and regulations that may be enacted, or new interpretations of existing laws and regulations, may also require us to incur substantial costs to reach compliance, change the manner in which we use data, and adversely affect the profitability of our private label credit card program. Additionally, we are subject to the terms of our privacy policies and notices and may be bound by contractual requirements applicable to our collection, use, processing and disclosure of personal information, and may be bound by or alleged to be subject to, or voluntarily comply with, self- regulatory or other industry standards relating to these matters. Any failure or perceived failure by us or any third parties with which we do business to comply with our privacy policies or with other privacy- related obligations to which we or such third parties are or may become subject, may result in investigations or enforcement actions against us by governmental entities, private claims, public statements against us by consumer advocacy groups or others, and fines, penalties or other liabilities. For example, California consumers whose information has been subject to a security incident may bring civil suits under the CCPA, for the greater of actual damages or statutory damages between \$ 100 and \$ 750 per violation. Any such action would be expensive to defend, likely would damage our reputation and market position, could result in substantial liability and could adversely affect our business and results of operations. Further, in view of new or modified privacy requirements, contractual obligations and other legal obligations, or any changes in their interpretation, we may find it necessary or desirable to fundamentally change our business activities and practices, and to expend significant resources to adapt to these changes. We may be unable to make such changes and modifications in a commercially reasonable manner. In addition, to the extent we expand our operations as a result of engaging in new business initiatives or product lines, or expanding into new markets, we may become subject to new regulations and regulatory regimes. In addition to increased regulatory compliance, if the regulations applicable to our business operations were to change, it could make conducting our business more expensive or otherwise change the way we do business. We may need to continually reassess our compliance procedures, personnel levels and regulatory framework in order to keep pace with our business initiatives, and there can be no assurance that we will be successful in doing so. Failure by us, our manufacturers, or our vendors to comply with applicable laws and regulations or to obtain and maintain necessary permits, licenses, and registrations relating to our operations could subject us to administrative and civil penalties, including significant fines, civil liability, criminal liability or sanctions, or other enforcement actions. Any of these actions could result in a material effect on our operating results, business and financial condition, including increased operating costs. Expectations of our company relating to corporate responsibility factors may impose additional costs and expose us to new risks. There is an increasing focus from certain investors, clients and other key stakeholders concerning corporate responsibility. We expect that an increased focus on corporate responsibility considerations will affect some aspects of our operations. There are a number of constituencies that are involved in a range of corporate responsibility issues including investors, special interest groups, public and consumer interest groups and third party service providers. As a result, there is an increased emphasis on corporate responsibility ratings and a number of third parties provide

reports on companies in order to measure and assess corporate responsibility performance. In addition, the factors by which companies' corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. Alternatively, if we are unable to satisfy such new criteria, investors may conclude that our policies with respect to corporate responsibility are inadequate. We risk damage to our brand and reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies. We may be required to make substantial investments in matters related to corporate responsibility, which could require significant investment and impact our results of operations. Any failure in our decision-making or related investments in this regard could affect client perceptions as to our brand. Furthermore, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives and goals regarding corporate responsibility matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors and other key stakeholders or our initiatives are not executed as planned, our reputation and financial results could be materially and adversely affected.

Risks Related to Our Indebtedness We are party to a revolving credit facility that contains covenants, which may restrict our current and future operations and could adversely affect our ability to execute our business needs. Our \$ 75 million revolving credit facility that is subject to a borrowing base availability calculation (the "Revolving Credit Facility") with Bank of America, N. A., as administrative agent, and the lenders party thereto, contains restrictive covenants that limit our ability to, among other things, incur certain additional indebtedness, make certain investments, merge, dissolve, liquidate or consolidate all or substantially all of our assets, make certain dispositions or restricted payments, enter into certain transactions with affiliates or make certain amendments to our organizational documents. The terms of the Revolving Credit Facility may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute business strategies in the means or manner desired. Further, complying with these covenants could make it more difficult for us to successfully execute our business strategy, invest in our growth strategy and compete against our competitors who may not be subject to such restrictions. In addition, we may not be able to generate sufficient cash flow to meet the financial covenants or pay the principal or interest thereunder. If we are unable to comply with our payment requirements, our lender may accelerate our obligations under the Revolving Credit Facility and foreclose upon the collateral, or we may be forced to sell assets, restructure our indebtedness or seek additional equity capital, which would dilute our stockholders' interests. If we fail to comply with our covenants under the Revolving Credit Facility, it could result in an event of default thereunder and our lenders could accelerate the entire indebtedness, which could cause us to be unable to repay our debt or borrow sufficient funds to refinance it. Even if new financing is available, it may be on terms that are unfavorable to us. We may be unable to secure additional financing on favorable terms, or at all, to meet our future capital needs, which in turn could impair our growth. We intend to continue to grow our business, which could require additional capital to expand our distribution, improve our operating infrastructure or finance working capital requirements. Accordingly, we may need to engage in additional equity or debt financings to secure additional capital. If we raise additional capital through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we may issue could have rights, preferences and privileges superior to those holders of our Class A common stock. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which could make it more difficult for us to raise additional capital and to pursue our growth strategies. If we are unable to secure additional funding on favorable terms, or at all, when we need it, our business may be materially adversely affected.

Risks Related to Ownership of our Class A Common Stock The dual class structure of our common stock has the effect of concentrating voting power with John Reed (our "Founder") and (i) the Reed 2013 Generation Skipping Trust, which is an irrevocable trust and of which Messrs. Adams and Beargie are trustees and (ii) the 2018 Reed Dynasty Trust, which is an irrevocable trust and of which Messrs. Adams and Beargie are trustees (collectively, the "Founder Family Trusts"), which gives our Founder and the Founder Family Trusts substantial control over us, including over matters that require the approval of stockholders under our certificate of incorporation and applicable law or stock exchange rules, and their interests may conflict with ours or those of our **other** stockholders. Each share of our Class B common stock entitles its holders to ten votes per share on all matters presented to our stockholders generally, while each share of our Class A common stock entitles its holders to one vote per share on all matters presented to our stockholders generally. Our Founder and (i) the John P. Reed Trust dated 4 / 29 / 1985, as amended, of which Mr. Reed is trustee, (ii) the Reed 2013 Generation Skipping Trust, of which Messrs. Adams and Beargie are trustees, and (iii) the 2018 Reed Dynasty Trust, of which Messrs. Adams and Beargie are trustees (collectively, "the Class B Trusts") control the voting power of all of the outstanding Class B common stock. As of February 15-14, 2024-2025, our Founder beneficially holds approximately 32. 13-10% of our outstanding capital stock and controls approximately 48. 77-76% of the voting power of our outstanding capital stock. As of February 15-14, 2024-2025, the Founder Family Trusts beneficially hold approximately 29. 97-90% of our outstanding capital stock and control approximately 45. 48-46% of the voting power of our outstanding capital stock. The current independent co-trustees of the Founder Family Trusts, Albert Adams and Bill Beargie, are also directors of the Company. Our Founder does not have the right to direct or control the voting of the shares of Class B common stock that are held by the Founder Family Trusts, and the independent co-trustees have sole voting and dispositive power over the Class B common stock held by the Founder Family Trusts. However, our Founder is the settlor of the Founder Family Trusts and is related to a majority of the beneficiaries of the Founder Family Trusts, and his views may be taken into account by the co-trustees and others related to the Founder Family Trusts. ~~Further, there is an investor rights agreement that contains agreements among FS Equity Partners VI, L. P. and FS Affiliates VI, L. P., (the "Freeman Spogli Funds"), the Founder and the Class B Trusts with respect to the voting on the election of directors and board committee membership. Other than the investor rights agreement, we are not aware of any other voting agreement among the Class B Trusts and / or our Founder, but if such a voting agreement or similar arrangement exists or~~

were to be consummated, or if all or some of the Class B Trusts and our Founder were to act in concert, our Founder and the Class B Trusts would have the ability to control our management and affairs and determine the outcome of all matters requiring stockholder approval, including mergers and other material transactions, even if their stock holdings represent less than 50% of the outstanding shares of our capital stock, and would be able to cause or prevent a change in the composition of our Board of Directors or a change in control of our company that could deprive our stockholders of an opportunity to receive a premium for their Class A common stock as part of any sale of the Company and might ultimately affect the market price of our Class A common stock. Accordingly, our Founder and the Class B Trusts may approve transactions that may not be in the best interests of holders of our Class A common stock or, conversely, prevent the consummation of transactions that may be in the best interests of holders of our Class A common stock. In addition, future **Future** transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. **The** Further, the shares of Class B common stock will automatically convert into shares of Class A common stock on the earliest to occur of (i) twelve months after the death or incapacity of our Founder, and (ii) the date upon which the then outstanding shares of Class B common stock first represent less than 10% of the voting power of the then outstanding shares of Class A common stock and Class B common stock. The concentration of ownership could deprive stockholders of an opportunity to receive a premium for shares of our Class A common stock as part of a sale of the Company and ultimately might affect the market price of our Class A common stock. The dual class structure of our common stock may adversely affect the trading market for our Class A common stock. We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock, in adverse publicity or other adverse consequences. For example, certain indices **may** have eligibility criteria that exclude companies with multiple classes of shares of common stock. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock **has and** may **continue to** prevent the inclusion of our Class A common stock in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any exclusion from indices could result in a less active trading market for our Class A common stock. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock. In addition, given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price for our Class A common stock could be adversely affected. Delaware law may protect decisions of our Board of Directors that have a different effect on holders of our Class A common stock and Class B common stock. Stockholders may not be able to challenge decisions that have an adverse effect upon holders of our Class A common stock compared to holders of our Class B common stock if our Board of Directors acts in a disinterested, informed manner with respect to these decisions, in good faith and in the belief that it is acting in the best interests of our stockholders. Delaware law generally provides that a Board of Directors owes an equal duty to all stockholders, regardless of class or series, and does not have separate or additional duties to different groups of stockholders, subject to applicable provisions set forth in a corporation's certificate of incorporation and general principles of corporate law and fiduciary duties. The market price, trading volume and marketability of our Class A common stock may be significantly affected by numerous factors, some of which are beyond our control. The market price and trading volume of our Class A common stock may fluctuate and / or decline significantly. Many factors that are beyond our control may materially adversely affect the market price of our Class A common stock and the marketability of our Class A common stock. These factors include, but are not limited to, the following: • macroeconomic conditions, including inflation and factors affecting the housing market; • the failure of securities analysts to continue to cover our common stock or changes in financial estimates or recommendations by analysts; • changes in market valuation or earnings of our competitors; • actual or anticipated variations in our annual or quarterly results of our operations, including our earnings estimates and whether we meet market expectations with regard to our earnings; • significant volatility in the market price and trading volume of securities of companies in the retail and consumer goods sectors in which our business operates, which may not be related to the operating performance of these companies and which may not reflect the performance of our business; • changes in preferences of our customers; • announcements of new products, significant price reductions or promotions by us or our competitors; • share transactions by principal stockholders; • stock price performance of our competitors; • market price and volume fluctuations in the stock market generally; • actual or anticipated negative earnings or other announcements by us or other retail companies; • downgrades in our credit ratings or the credit ratings of our competitors; • natural or man-made disasters or other similar events including **public** health issues or pandemics; and • global economic, legal and regulatory changes unrelated to our performance. In addition to market and industry factors, the price and trading volume for our Class A common stock may be highly volatile for factors that are specific to our company. These factors include, but are not limited to, our low public float, and that we have a controlling shareholder. Our anti-takeover provisions could prevent or delay a change in control of the Company, even if such change in control would be beneficial to our stockholders. Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could discourage, delay or prevent a merger, acquisition or other change in control of our Company, even if such change in control would be beneficial to our stockholders. These provisions include: • authorizing the issuance of "blank check" preferred stock that could be issued by our Board of Directors to increase the number of outstanding shares and thwart a takeover attempt; • **our classified board structure**; • the removal of directors only for cause; • prohibiting the use of cumulative voting for the election of directors; • limiting the ability of stockholders to call special meetings or amend our bylaws; • establishing advance notice and duration of ownership requirements for nominations for election to the Board of Directors or for proposing matters that can be acted upon by

stockholders at stockholder meetings; and • the ability of our Board of Directors upon majority vote to amend or repeal our bylaws. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause us to take other corporate actions as such stockholders may desire. In addition, because our Board of Directors is responsible for appointing our executive officers, these provisions could in turn affect any attempt by our stockholders to replace current executive officers. We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the price of our Class A common stock. Our amended and restated certificate of incorporation authorizes us to issue one or more series of preferred stock. Our Board of Directors will have the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of preferred stock or unreserved common stock may delay or prevent a change in control of us, discourage bids for our Class A common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our Class A common stock. Our director who has a relationship with Freeman Spogli & Co. may have a conflict of interest with respect to matters involving us. One of our directors is affiliated with Freeman Spogli & Co. (“Freeman Spogli”) ~~and, as of February 15, 2024, Freeman Spogli affiliated entities own approximately 8.75% of the outstanding common stock and 1.33% voting power of the Company.~~ This director has fiduciary duties to both us and Freeman Spogli. Our amended and restated certificate of incorporation provides that the doctrine of “corporate opportunity” will not apply with respect to Freeman Spogli or certain related parties or any of our directors who are employees of Freeman Spogli or its affiliates such that Freeman Spogli and its affiliates will be permitted to invest in competing businesses or do business with our customers. Under the amended and restated certificate of incorporation, subject to the limitations set forth therein, Freeman Spogli is not required to tell us about a corporate opportunity, may pursue that opportunity for itself or it may direct that opportunity to another person without liability to our stockholders. To the extent they invest in such other businesses, Freeman Spogli may have differing interests than our other stockholders. We ~~no longer qualify as an “emerging growth company” within the meaning of the Securities Act and in the future will be required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and additional disclosure obligations. We previously qualified as an “emerging growth company” as defined in Section 2(a) of the Securities Act, as amended, and elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards and certain other exemptions and reduced reporting requirements provided by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Accordingly, we have previously not been required to provide an auditor’s attestation report on our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act. Based on the Company’s total annual gross revenues exceeding \$1.235 billion as of December 31, 2023, we lost our emerging growth company status beginning with this Annual Report on Form 10-K for the year ending December 31, 2023. As a result, our independent registered public accounting firm was required for the first time to provide the attestation report on our system of internal control over financial reporting in this Annual Report on Form 10-K and will be required to do so in subsequent Annual Reports. If we are unable to in any such Annual Report assert that our internal control over financial reporting is effective or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, or expresses an adverse opinion, investors may lose confidence in the accuracy and completeness of our financial reports, we may face restricted access to the capital markets or other sources of funds and our stock price may be adversely affected. At this time, we are unable to assert that our internal control over financial reporting is effective and our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting. We are a “controlled company” within the meaning of Nasdaq rules and qualify for and may rely on exemptions from certain corporate governance requirements. Because our Founder, **and** the Class B Trusts **hold** **and** the Freeman Spogli Funds have entered into the investor rights agreement governing certain voting arrangements with respect to~~ more than a majority of the total voting power of our common stock, we are a “controlled company” within the meaning of Nasdaq rules. Under these rules, a company of which more than 50% of the voting power with respect to the election of directors is held by another person or group of persons acting together is a “controlled company” and may elect not to comply with certain stock exchange rules regarding corporate governance, including the following requirements: • that a majority of its Board of Directors consist of independent directors; • that its director nominees be selected or recommended for the board’s selection by a majority of the board’s independent directors in a vote in which only independent directors participate or by a nominating committee comprised solely of independent directors, in either case, with a formal written charter or board resolutions, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws; and • that its compensation committee be composed solely of independent directors with a written charter addressing the committee’s purpose and responsibilities. **If Although we have not elect-elected** to be treated as a controlled company and use these exemptions, **if we chose to do so in the future** our stockholders may not have the same protections afforded to stockholders of companies that are subject to all of Nasdaq rules regarding corporate governance, which could make our Class A stock less attractive to investors or otherwise harm our stock price. Future sales of shares of Class A common stock, or the perception in the public market that such sales may occur, could adversely affect the market price of our Class A common stock. Our stockholders could be diluted by such future sales and be further diluted upon the conversion of Class B common stock into Class A common stock. Future sales of our shares could adversely affect the market price of our Class A common stock. If our existing stockholders sell a large number of shares, or if we issue a large number of shares of our common stock in connection with future acquisitions, strategic alliances, third-party investments and private placements or otherwise, the market price of our Class A common stock could decline significantly. Moreover, the perception in the public market that these stockholders might sell shares could depress the

market price of our Class A common stock. In the aggregate, as of February 15-14, 2024-2025, our Founder beneficially owns 45, 078, 259 shares of our Class B common stock, and the Founder Family Trusts, in the aggregate, beneficially own 42, 037, 341 shares of Class B common stock, representing all of the outstanding shares of Class B common stock. The shares of Class B common stock beneficially owned by our Founder represent approximately 48. 77-75% of our total voting power. The shares of Class B common stock beneficially owned by the Founder Family Trusts represent, in the aggregate, approximately 45. 48-46 % of our total voting power. ~~Furthermore, two Freeman Spogli affiliated entities, FS Equity Partners VI, L. P. and FS Affiliates VI, L. P., own 11, 777, 253 and 500, 290 shares of Class A common stock, respectively.~~ Any potential sale, disposition or distribution of our common stock or the perception that such sale, disposition or distribution could occur, could adversely affect prevailing market prices of our Class A common stock. If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our Class A common stock adversely, our stock price and trading volume could decline. The trading market for our Class A common stock is and will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our Class A common stock or describe us or our business in a negative manner, the price of our Class A common stock would likely decline. If one or more of these analysts cease coverage of our Company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the price or trading volume of our Class A common stock to decline. In addition, if we fail to meet the expectations and forecasts for our business provided by securities analysts, the price of our Class A common stock could decline. Delaware law and our corporate organizational and governing documents impose various impediments to the ability of a third party to acquire control of us, which could deprive our investors of the opportunity to receive a premium for their shares. We are a Delaware corporation, and the anti- takeover provisions of the Delaware General Corporation Law, or the DGCL, our amended and restated certificate of incorporation, and our amended and restated bylaws, impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our stockholders. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our Board of Directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our Board of Directors the power to discourage acquisitions that some stockholders may favor. Our amended and restated bylaws provide that a majority of our Board of Directors may call special meetings of our stockholders. Our amended and restated certificate of incorporation also permit the issuance without stockholder approval of authorized but unissued shares of common stock and preferred stock. Our amended and restated bylaws require advanced notice and duration requirements for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to our Board of Directors. Stockholders at an annual meeting may consider only proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our Board of Directors or by a qualified stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary. Further, our amended and restated bylaws provide that our bylaws may be amended or repealed by a majority vote of our Board of Directors or by the affirmative vote of a majority of the votes which all our stockholders would be eligible to cast in an election of directors. The foregoing factors, as well as the significant common stock ownership by our Founder, could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our Class A common stock that could result in a premium over the market price for shares of Class A common stock. Our amended and restated certificate of incorporation provides for an exclusive forum in the Court of Chancery of the State of Delaware for certain disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, in the event that the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of fiduciary duty, any action asserting a claim against us arising pursuant to the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws, any action to interpret, apply or enforce or determine the validity of our amended and restated certificate of incorporation or amended and restated bylaws, any action as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware, or any action asserting a claim against us that is governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction; and provided further that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware. Our amended and restated certificate of incorporation also provides that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause or causes of action against any defendant arising under the Securities Act, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision. Such provision is intended to benefit and may be enforced by us, our officers and directors, employees and agents, including underwriters and any other professional or entity who has prepared or certified any part of this Annual Report. Nothing in our amended and restated certificate of incorporation precludes stockholders that assert claims under the Exchange Act from bringing such claims in state or federal court, subject to applicable law. We believe these provisions may benefit us by providing increased consistency in the application of Delaware law and federal securities laws by chancellors and judges, as applicable, particularly experienced in resolving corporate disputes, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi- forum litigation. This choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage

lawsuits with respect to such claims or make such lawsuits more costly for stockholders, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. Furthermore, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive- forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

General Risks Our operations present risks which may not be fully covered by insurance. We carry comprehensive insurance against the hazards and risks underlying our operations. We believe our insurance policies are customary in the industry; however, some losses and liabilities associated with our operations may not be covered by our insurance policies. In addition, there can be no assurance that we will be able to obtain similar insurance coverage on favorable terms (or at all) in the future. Significant uninsured losses and liabilities could have a material adverse effect on our financial condition and results of operations. Furthermore, our insurance is subject to deductibles. As a result, certain large claims, even if covered by insurance, may require a substantial cash outlay by us, which could have a material adverse effect on our financial condition and results of operations. As a public reporting company, we are subject to the Nasdaq rules and the rules and regulations established from time to time by the SEC regarding our internal control over financial reporting. If we **continue to** fail to establish and maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results, or report them in a timely manner **in the future**. As a public reporting company, we are subject to the Nasdaq rules and the rules and regulations established from time to time by the SEC. These rules and regulations require, among other things, that we establish and periodically evaluate procedures with respect to our internal control over financial reporting. Reporting obligations as a public company place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. In addition, as a public company we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes- Oxley Act so that our management can evaluate the effectiveness of our internal control over financial reporting. Likewise, our independent registered public accounting firm is required to provide an attestation report on the effectiveness of our internal control over financial reporting. If our management is unable to certify the effectiveness of our internal control or if our independent registered public accounting firm cannot deliver a report attesting to the effectiveness of our internal control over financial reporting, or if we identify or fail to remediate any significant deficiencies or material weaknesses in our internal controls, we could be subject to regulatory scrutiny and a loss of public confidence, which could seriously harm our reputation, and the price per share of our Class A common stock could decline.

We have and expect to continue to incur costs related to implementing an internal audit and compliance function in the upcoming years to further improve our internal control environment. If we identify future deficiencies in our internal control over financial reporting or if we are unable to comply with the demands that are placed upon us as a public company, including the requirements of Section 404 of the Sarbanes- Oxley Act, in a timely manner, we may be unable to accurately report our financial results, or report them within the timeframes required by the SEC. We also could become subject to sanctions or investigations by the SEC or other regulatory authorities. Further, if we do not maintain adequate financial and management personnel, processes, and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis, our business could be adversely affected and the price per share of our Class A common stock price could decline. At this time, we are unable to assert that our internal control over financial reporting is effective and our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting. See Item 9A Controls and Procedures, for management' s annual report on internal control over financial reporting as of December 31, 2023-**2024**. We have and expect to continue to incur costs related to implementing an internal audit and compliance function in the upcoming years to further improve our internal control environment. If we identify future deficiencies in our internal control over financial reporting or if we are unable to comply with the demands that are placed upon us as a public company, including the requirements of Section 404 of the Sarbanes- Oxley Act, in a timely manner, we may be unable to accurately report our financial results, or report them within the timeframes required by the SEC. We also could become subject to sanctions or investigations by the SEC or other regulatory authorities. Further, if we do not maintain adequate financial and management personnel, processes, and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis, our business could be adversely affected and the price per share of our Class A common stock price could decline. We incur significant costs as a result of operating as a public company. Prior our initial public offering in November 2021, we operated on a private basis, but as a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes- Oxley Act, the Dodd- Frank Act, the listing requirements of Nasdaq and other applicable securities laws and regulations. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. These rules and regulations have increased our legal and financial compliance costs and may make some activities more difficult, time- consuming and costly. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions and other regulatory action and potentially civil litigation. These factors may, therefore, strain our resources, divert management' s attention and affect our ability to attract and retain qualified board members.