

Risk Factors Comparison 2024-03-14 to 2023-03-15 Form: 10-K

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The following discussion of "Risk Factors" identifies factors that may adversely affect our business, operations, financial condition or future performance. This information should be read in conjunction with "Cautionary Note Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Result of Operations" and the consolidated financial statements and related notes. The following discussion of risks is not all-inclusive but is designed to highlight what we believe are the material factors to consider when evaluating our business and expectations. These factors could cause our future results to differ materially from our historical results and from expectations reflected in forward-looking statements. Risks Relating to Our Business and Industry **Global economic and financial market conditions beyond our control might materially and negatively impact us. General economic factors beyond our control could adversely affect our business and results of operations. These factors include, but are not limited to, recent supply chain disruptions, labor shortages, wage pressures, rising inflation and potential economic slowdown or growing recession risk, as well as input costs including fuel and energy costs (for example, the price of gasoline), foreign currency exchange rate fluctuations, and other matters that influence consumer spending and preferences. In addition, public health crises, geopolitical instability (including the conflicts in Ukraine and Israel and surrounding areas, and the possible expansion of such conflicts), as well as other global events have significantly increased global macroeconomic uncertainty and volatility. In response to unfavorable economic conditions, there has been and, in the future, could be a reduction in discretionary spending, which may lead to reduced net sales or cause a shift in our product mix from higher-margin to lower-margin product offerings or a shift of consumer purchasing patterns to lower cost options. This shift could force us to reduce prices for our products in order to compete. Conversely, rapid increases in demand due to improving economic conditions could lead to supply chain challenges. Global markets continued to face threats and uncertainty during fiscal year 2023. Uncertain economic and financial market conditions may also adversely affect the financial condition of our customers, suppliers and other business partners. Any significant decrease in purchases of our products or our inability to collect accounts receivable resulting from an adverse impact of the global markets on customers' financial condition could have a material adverse effect on our business, financial condition and results of operations. Additionally, disruptions in financial markets could reduce our access to debt and equity capital markets, negatively affecting our ability to implement our business strategy. We must successfully manage the demand, supply, and operational challenges brought about by any disease outbreak, including epidemics, pandemics, or similar widespread public health concerns. Our operations are impacted by consumer spending levels, the availability of our products to retailers and our ability to manufacture, store and distribute products to our customers in an effective and efficient manner. The fear of exposure to or actual effects of a disease outbreak or similar widespread public health concern, could negatively impact our overall business, financial condition and results of operations. These impacts may include, but are not limited to: ▪ Significant reductions, shifts or fluctuations in demand for one or more of our products; ▪ Inability to meet our customers' needs due to disruptions in our manufacturing and supply chain arrangements caused by the loss or disruption of essential manufacturing and supply chain elements. In addition, we may incur higher costs for transportation, workforce and distribution capability in order to maintain the supply of product to our customers; ▪ Failure of third parties upon which we rely, including our suppliers, contract manufacturers, distributors, contractors and commercial banks, to meet their obligations to us in a timely manner; and ▪ Significant changes in the political and regulatory landscape in the markets in which we manufacture, sell or distribute our products, which may include, but are not limited to, restrictions on international trade, governmental or regulatory actions, closures or other restrictions that limit or suspend our or our third-party partners' or customers' operating and / or manufacturing capabilities, including operations necessary for the production, distribution, sale, and support of our products, which could adversely impact our results.** Unfavorable economic conditions could have an adverse impact on consumer discretionary spending and therefore adversely impact our business, sales, financial condition and results of operations. Our products are largely recreational in nature and are therefore discretionary purchases for consumers. Consumers are generally more willing to make discretionary purchases of automotive products during favorable economic conditions and when consumers are feeling confident and prosperous. Discretionary spending is also affected by many other factors, including general business conditions, inflation, interest rates, the availability of consumer credit, taxes, and consumer confidence in future economic conditions. Purchases of our products could decline during periods when disposable income is lower, or during periods of actual or perceived unfavorable economic conditions. A significant or prolonged decline in general economic conditions or uncertainties regarding future economic prospects that adversely affect consumer discretionary spending, whether in the United States or in our international markets, could result in reduced sales of our products, which in turn would have an adverse impact on our business, sales, financial condition and results of operations. Inflation could result in higher costs and decreased profitability. **Rising inflation** may continue to adversely affect us by increasing the cost of raw materials. Our products contain various raw materials, including corrosion-resistant steel, non-ferrous metals such as aluminum and nickel, and precious metals such as platinum and palladium. We use raw materials directly in manufacturing and in components that we purchase from our suppliers. We generally purchase components with significant raw material content on the open market. Volatility in the prices of raw materials such as steel, aluminum and nickel could continue to increase the cost of manufacturing our products. In some cases, those cost increases can be passed on to customers in the form of price increases, in other cases, they cannot. **Recent**

inflationary pressures and other factors have also resulted in significant increases in transportation **Transportation** and freight service costs **are susceptible to volatility and inflationary pressures** due to **fuel costs**, limited capacity and / or availability of containers, shipping vessels, and / or receiving port services. If the prices of raw material and other inputs increase, and we are not able to charge our customers higher prices to compensate, our results of operations would be adversely affected. Many of the markets in which we sell have been experiencing high levels of inflation, which may depress consumer demand for our products and reduce our profitability. Even in the event that increased costs can be passed through to customers, our gross margin percentages may decline. Additionally, our suppliers are also subject to fluctuations in the prices of raw materials and may attempt to pass all or a portion of such increases on to us. In the event they are successful in doing so, our margins would decline. If prolonged, and if they cannot be passed on to customers in the form of price increases, these fluctuations in the price of raw materials, product components, other inputs, and / or transportation services could have a material adverse effect on our business, sales, financial condition and results of operations. Disruptions of supply or shortages of raw materials or components used in our products could harm our business and profitability. We have experienced, and may continue to experience, disruptions and higher costs in manufacturing, supply chain, logistical operations, and shortages of steel, non-ferrous metals and precious metals. Additionally, we have been adversely impacted by the global supply shortage of automotive-grade microchips. This shortage has resulted in increased microchip delivery lead times, delays in production and increased costs to source available automotive-grade microchips. If our supply of these products continues to be adversely affected, there can be no assurance that we will be able to obtain adequate replacements for the existing components or that supplies will be available on terms and prices that are favorable to us, if at all. Our success depends in part on our ability to anticipate and react to changes in supply costs and disruptions in the supply chain due to factors beyond our control. We have taken steps to minimize the adverse impacts of supply chain volatility and rising inflation by implementing cost savings initiatives, increasing prices to customers, increasing inventory levels of certain products, and working closely with our suppliers and customers to minimize disruptions in delivering products to customers. Despite the actions we have undertaken to minimize these impacts, there can be no assurance that unforeseen future events in the global supply chain and our ability to pass on inflationary costs to our customers could have a material adverse effect on our business, financial condition and results of operations. ~~Current global economic conditions, including inflation and supply chain disruptions, could continue to adversely affect our distributors' financial condition, their levels of business activity and their ability to pay trade obligations. We primarily sell our products to retailers directly and through our domestic and foreign subsidiaries, and to foreign distributors. We generally require no collateral from our customers. However, if the current economic conditions and macroeconomic trends, including heightened inflation, capital market volatility, and interest rate fluctuations, continue, our results of operations may be adversely affected. These disruptions and delays have strained certain domestic and international supply chains, which have affected and could continue to adversely affect the flow or availability of certain products or components. As a result, we have experienced, and could continue to experience, disruptions and higher costs in manufacturing, supply chain, logistical operations, and shortages of certain of our products in distribution channels. A prolonged or severe downturn in the general economy could adversely affect the retail market, which in turn, would adversely impact the liquidity and cash flows of our customers, including the ability of such customers to obtain credit to finance purchases of our products and to pay their trade obligations. This could result in increased delinquent or uncollectible accounts for some of our customers. A failure by our customers to pay on a timely basis a significant portion of outstanding account receivable balances would adversely impact our business, sales, financial condition and results of operations.~~ A significant disruption in the operations of our manufacturing facilities or distribution centers could have a material adverse effect on our business, sales, financial condition and results of operations. A significant disruption at any of our manufacturing facilities or distribution centers could materially and adversely affect our business, sales, financial condition and results of operations. Our manufacturing facilities and distribution centers are highly automated, which means that our operations are complicated and may be subject to a number of risks related to computer viruses, the proper operation of software and hardware, electronic or power interruptions, and other system failures, including failures caused by factors outside of our control, such as ~~hostilities~~, political unrest, terrorist attacks, **war military conflicts** (including the ongoing conflict in Ukraine, **the conflict in Israel and surrounding areas, the possible expansion of such conflicts and potential geopolitical consequences**), natural disasters or extreme weather (including events that may be caused or exacerbated by climate change). Risks associated with upgrading or expanding these facilities may significantly disrupt or increase the cost of our operations, which may have an immediate, or in some cases prolonged, impact on our margins. Our risk management, business continuity and disaster recovery plans may not be effective at preventing or mitigating the effects of such disruptions, particularly in the case of catastrophic events or longer-term developments, such as the impacts of climate change. ~~A global pandemic, such as the COVID-19 pandemic could adversely affect our business, sales, financial condition and results of operations and our ability to access current or obtain new lending facilities. A global pandemic, or the outbreak of a disease, such as the COVID-19 pandemic, could adversely affect our business. The preventative measures taken to contain or mitigate a pandemic may cause, and are continuing to cause, business slowdowns or shutdowns in affected areas and significant disruption in the financial markets both globally and in the United States, which could lead to a decline in discretionary spending by consumers, and in turn impact, possibly materially, our business, sales, financial condition and results of operations. These impacts could include, but are not limited to: • the possibility of renewed retail store closures or reduced operating hours and / or decreased retail traffic; • disruption to our distribution centers and other vendors, including the effects of facility closures as a result of outbreaks of COVID-19 or measures taken by federal, state or local governments to reduce its spread, reductions in operating hours, labor shortages, and real time changes in operating procedures, including for additional cleaning and disinfection procedures; and • significant disruption of global financial markets, which could have an adverse impact on our ability to access capital in the future. The outbreak of a different global pandemic, or the further spread of COVID-19, and the requirements to take action to help limit the spread of the illness, could impact our ability to carry out our business as usual and may materially adversely~~

impact global economic conditions, our business, sales, financial condition and results of operations. The extent of the impact of a global pandemic, such as COVID-19, on our business and financial results will depend on future developments, including the duration and spread of such outbreak within the markets in which we operate, the related impact on consumer confidence and spending, and the effect of governmental regulations imposed in response to the pandemic, all of which are highly uncertain and ever-changing. The duration of any such impacts cannot be predicted. Failure to compete effectively could reduce our market share and significantly harm our business, sales, financial condition and results of operations. Our industry is highly competitive, and our success depends on our ability to compete with suppliers of automotive aftermarket products, ~~some of which may have substantially greater financial, marketing and other resources than we do.~~ Due to the diversity of our product offering, we compete with several large and medium-sized companies and a large number of smaller regional and specialty companies and numerous category-specific competitors. In addition, we face competition from original equipment manufacturers, which, through their automotive dealerships, supply many of the same types of replacement parts that we sell. Existing competitors may expand their product offerings and sales strategies, and new competitors may enter the market. Some of our competitors may have larger customer bases and significantly greater financial, technical and marketing resources than we do. These factors may allow our competitors to: ~~• respond more quickly than we can to new or emerging technologies and changes in customer requirements by devoting greater resources than we can to the development, promotion and sale of automotive aftermarket products; • engage in more extensive research and development; and • spend more money and resources on marketing and promotion.~~ Increased competition could put additional pressure on us to reduce prices or take other actions, which may have an adverse effect on our business, sales, financial condition and results of operations. We may also lose significant customers or lines of business to competitors. If we are unable to successfully design, develop and market new products, our business may be harmed. To maintain and increase sales, we must continue to introduce new products on a timely basis to respond to new and evolving consumer preferences and improve or enhance our existing products. The success of our new and enhanced products depends on many factors, including anticipating consumer preferences, finding innovative solutions to consumer problems, differentiating our products from those of our competitors, and maintaining the strength of our brands. The design and development of our products is costly, and we typically have several products in development at the same time. Problems in the design or quality of our products, or delays in product introduction, may harm our brands, business, sales, financial condition and results of operations. Any new products that we develop and market may not generate sufficient revenues to ~~recoup cover~~ our development, production, marketing, selling and other costs. A drive toward electric vehicles or away from vehicle ownership in general could impact our business, sales, financial condition and results of operations. The automotive industry is increasingly focused on the development of hybrid and electric vehicles and of advanced driver assistance technologies, with the goal of developing and introducing a commercially viable, fully automated driving experience, and many manufacturers have announced plans to transition from internal-combustion engines into electric vehicle platforms over the coming years. There has also been an increase in consumer preferences for mobility on demand services, such as car and ride sharing, as opposed to automobile ownership, which may result in a long-term reduction in the number of vehicles per capita. Accordingly, if we do not continue to innovate and develop, or acquire, new and compelling products that capitalize upon new technologies in response to original equipment manufacturer and consumer preferences, or if there is a future shift in consumer preferences towards ownership of more utilitarian vehicles or vehicles that are otherwise less interesting to a large portion of our customers who are automotive enthusiasts, or if there is otherwise a future shift away from automobile ownership among consumers in general, our and our subsidiaries' business, sales, financial condition and results of operations could be impacted. Our business depends on maintaining and strengthening our brands to generate and maintain ongoing demand for our products, and a significant reduction in such demand could harm our business, sales, financial condition and results of operations. Our success depends on the value and reputation of our brands, which, in turn, depends on factors such as the quality, design, performance, functionality, and durability of our products, the image of our e-commerce platform and retail partner floor spaces, our communication activities, including advertising, social media, and public relations, and our management of the customer experience, including direct interfaces through customer service. Maintaining, promoting, and positioning our brands are important to expanding our customer base, and will largely depend on the success of our marketing and merchandising efforts and our ability to provide consistent, high-quality customer experiences. We intend to continue making investments in these areas in order to maintain and enhance our brands, and such investments may not be successful. Ineffective marketing, negative publicity, product diversion to unauthorized distribution channels, product or manufacturing defects, counterfeit products, unfair labor practices, and failure to protect the intellectual property rights in our brands are some of the potential threats to the strength of our brands, and those and other factors could rapidly and severely diminish our relationships with customers and suppliers. These factors could cause our customers to lose the personal connection they feel with our brands and reduce our ability to attract new customers and lead to suppliers terminating their relationships with us. We believe that maintaining and enhancing the image of our brands in our current markets and in new markets where we have limited brand recognition is important to expanding our customer base. If we are unable to maintain or enhance our brands in current or new markets, our business, sales, financial condition and results of operations could be harmed. If we inaccurately forecast demand for our products, we may manufacture either insufficient or excess quantities, which, in either case, could adversely affect our financial performance. We plan our manufacturing capacity based upon the forecasted demand for our products. Forecasting the demand for our products is very difficult given the manufacturing lead time and the amount of specification involved, especially given ~~the market~~ volatility of the markets and the economic downturn, including the impact of the COVID-19 pandemic. Aside from supply chain disruptions and inflationary pressures, forecasting demand for specific automotive parts can also be challenging due to changing consumer preferences and competitive pressures and longer supply lead times. The nature of our business makes it difficult to quickly adjust our manufacturing capacity if actual demand for our products varies from forecasted demand. If actual demand for our products exceeds forecasted demand, we may not be able to

produce sufficient quantities of new products in time to fulfill actual demand, which could limit our sales and adversely affect our financial performance. On the other hand, if actual demand is less than forecasted demand for our products, we could produce excess quantities, resulting in excess inventories and related obsolescence charges that could adversely affect our financial performance. We may not be able to effectively manage our growth. As we grow our business, slower growing or reduced demand for our products, increased competition, a decrease in the growth rate of our overall market, failure to develop and successfully market new products, or the maturation of our business or markets could harm our business. We have made and expect to continue to make significant investments in our research and development and sales and marketing organizations, expand our operations and infrastructure both domestically and internationally, design and develop new products, and enhance our existing products. If our sales do not increase at a sufficient rate to offset these increases in our operating expenses, our profitability may decline in future periods. We only have a limited history operating our business as a public company at its current scale. Consequently, if our operations grow at a rapid pace in the future, we may experience difficulties in managing this growth and building the appropriate processes and controls. Future rapid growth may increase the strain on our resources, and we could experience operating difficulties, including difficulties in sourcing, logistics, recruiting, maintaining internal controls, marketing, designing innovative products, and meeting consumer needs. If we do not adapt to meet these evolving challenges, the strength of our brands may erode, the quality of our products may suffer, we may not be able to deliver products on a timely basis to our customers, and our corporate culture may be harmed. We have set certain growth initiatives for our business to meet long-term strategic objectives and improve stockholder value. We may incur certain costs to achieve our growth initiatives, and we may not meet anticipated implementation timetables or stay within budgeted costs. As these growth initiatives are undertaken, we may not achieve our expected results, which could adversely impact our customer retention or results of operation. If we fail to attract new customers, or fail to do so in a cost-effective manner, we may not be able to increase sales. Our success depends, in part, on our ability to attract customers in a cost-effective manner. In order to expand our customer base, we must appeal to and attract customers ranging from automotive enthusiasts to individuals who simply value products of uncompromising quality and design. We have made, and expect to continue to make, significant investments in attracting new customers, including through the use of traditional, digital, and social media and participation in, and sponsorship of, community events. Marketing campaigns can be expensive and may not result in the cost-effective acquisition of customers. Further, as our brands become more widely known, future marketing campaigns may not attract new customers at the same rate as past campaigns. If we are unable to attract new customers, or fail to do so in a cost-effective manner, our growth could be slower than we expect, and our business may be harmed. Our growth depends, in part, on expanding into additional consumer markets, and we may not be successful in doing so. We believe that our future growth depends not only on continuing to reach our current core demographic, but also continuing to broaden our retail partner and customer bases. The growth of our business will depend, in part, on our ability to continue to expand our retail partner and customer bases in the United States, as well as in international markets. In these markets, we may face challenges that are different from those we currently encounter, including **competitive competition**, merchandising, distribution, hiring, and other difficulties. We may also encounter difficulties in attracting customers due to a lack of consumer familiarity with or acceptance of our brands, or a resistance to paying for premium products, particularly in international markets. We continue to evaluate marketing efforts and other strategies to expand the customer base for our products. In addition, although we are investing in sales and marketing activities to further penetrate newer regions, including expansion of our dedicated sales force, we cannot ensure that we will be successful. If we are not successful, our business, sales, financial condition and results of operations may be harmed. Competitors have attempted, and will likely continue to attempt to, imitate our products and technology. If we are unable to protect or preserve the image of our brands and proprietary rights, our business, sales, financial condition and results of operations may be harmed. As our business continues to expand, our competitors have imitated or attempted to imitate, and will likely continue to imitate or attempt to imitate, our product designs and branding, which could harm our business, sales, financial condition and results of operations. Only a portion of the intellectual property used in the manufacture and design of our products is patented, and we, therefore, rely significantly on trade secrets, trade and service marks, trade dress, and the strength of our brands. We regard our patents, trade dress, trademarks, copyrights, trade secrets, and similar proprietary rights as critical to our success. We also rely on trade secret protection and confidentiality agreements with our employees, consultants, suppliers, manufacturers, and others to protect our proprietary rights. Nevertheless, the steps we take to protect our proprietary rights against infringement or other violations may be inadequate, and we may experience difficulty in effectively limiting the unauthorized use of our patents, trademarks, trade dress, and other intellectual property and proprietary rights worldwide. We also cannot guarantee that others will not independently develop technology with the same or similar function to any proprietary technology that we rely on to conduct our business and differentiate **Holley our self** from our competitors. Unauthorized use or invalidation of our patents, trademarks, copyrights, trade dress, trade secrets, or other intellectual property or proprietary rights may cause significant damage to our brands and harm our business, sales, financial condition and results of operations. While we actively develop and protect our intellectual property rights, there can be no assurance that we will be adequately protected in all countries in which we conduct our business or that we will prevail when defending our patent, trademark, and proprietary rights. Additionally, we could incur significant costs and management distraction in pursuing claims to enforce our intellectual property rights through litigation and defending any alleged counterclaims. If we are unable to protect or preserve the value of our patents, trade dress, trademarks, copyrights, or other intellectual property rights for any reason, or if we fail to maintain the image of our brands due to actual or perceived product or service quality issues, adverse publicity, governmental investigations or litigation, or other reasons, our brands and reputation could be damaged, and our business may be harmed. Our profitability may decline as a result of increasing pressure on pricing. Our industry is subject to significant pricing pressure caused by many factors, including unfavorable economic conditions, intense competition, consolidation in the retail industry, pressure from retailers to reduce the costs of products, and changes in consumer demand. The current economic conditions and macroeconomic trends, including

heightened inflation, capital market volatility, interest rate and current rate fluctuations, have had and may continue to have an impact on pricing. These factors may cause us to reduce our prices to retailers and customers or engage in more promotional activity than we anticipate, which could adversely impact our margins and cause our profitability to decline if we are unable to offset price reductions with comparable reductions in our operating costs. This could materially harm our business, sales, financial condition and results of operations. In addition, ongoing and sustained promotional activities could harm the image of our brands. Our current and future products may experience quality problems from time to time that can result in negative publicity, litigation, product recalls, and warranty claims, which could result in decreased sales and operating margin, and harm to our brand. Although we extensively and rigorously test new and enhanced products, there can be no assurance we will be able to detect, prevent, or fix all defects. Defects in materials or components can unexpectedly interfere with the products' intended use and safety and damage our reputation. Failure to detect, prevent, or fix defects could result in a variety of consequences, including a greater number of product returns than expected from customers and retail partners, litigation, product recalls, and credit claims, among others, which could harm our business, sales, financial condition and results of operations. The occurrence of real or perceived quality problems or material defects in our current and future products could expose us to product recalls, warranty, or other claims. In addition, any negative publicity or lawsuits filed against us related to the perceived quality and safety of our products could also harm our brand and decrease demand for our products. Our reliance on foreign suppliers for some of the automotive parts we sell to our customers or include in our products presents risks to the business. A portion of automotive parts and components we use in our manufacturing processes are imported from suppliers located outside the U. S. As a result, we are subject to various risks of doing business in foreign markets and importing products from abroad, and these risks may become heightened as a result of unfavorable global economic conditions, including as a result of COVID-19. These risks may include, but are not limited to: • shortages of key component parts used in our products sourced from non- U. S. suppliers; • increased transportation costs; • significant delays in the delivery of cargo due to port security considerations; • imposition of duties, taxes, tariffs or other charges on imports; • potential recalls or cancellations of orders for any product that does not meet our quality standards; • disruption of imports by labor disputes or strikes and local business practices; • heightened terrorism security concerns, which could subject imported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods; • political tensions, and military conflicts (including the conflict in Ukraine, the conflict in Israel and wars surrounding areas, and the possible expansion of such as the ongoing conflict in Ukraine); • natural disasters, disease, epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas; • inability of our non- U. S. suppliers to obtain adequate credit or access liquidity to finance their operations; and • our ability or inability to enforce any agreements with our foreign suppliers. Any of the foregoing factors, or a combination of them, could increase the cost or reduce the supply of products available to us and materially and adversely impact our business, sales, financial condition and results of operations. We depend on retail partners to display and present our products to customers, and our failure to maintain and further develop our relationships with retail partners could harm our business. We sell a significant amount of our products through knowledgeable national, regional, and independent retail partners. Our retail partners service customers by stocking and displaying our products, explaining the attributes of our products, and sharing the story of our brands. Our relationships with these retail partners are important to the authenticity of our brands and the marketing programs we continue to deploy. Our failure to maintain these relationships with our retail partners or financial difficulties experienced by these retail partners could harm our business. We have key relationships with national retail partners. If we lose any of our key retail partners or any key retail partner reduces their purchases of our existing or new products or their number of stores or operations, or promotes products of our competitors over ours, our sales would be harmed. Because Holley is a premium brand, our sales depend, in part, on retail partners effectively displaying our products, including providing attractive space and point of purchase displays in their stores, and training their sales personnel to sell our products. If our retail partners reduce or terminate those activities, we may experience reduced sales of our products, resulting in lower gross margins, which would harm our business, financial condition and results of operations. If our plans to increase sales through our DTC channel are not successful, our business, sales, financial condition and results of operations could be harmed. For 2022-2023, we generated approximately \$ 144 million in gross sales through our DTC channel approximately \$ 149.1 million in gross sales. Part of our growth strategy involves increasing sales through our DTC channel. The level of customer traffic and volume of customer purchases through our website is substantially dependent on our ability to provide a content- rich and user- friendly website, a hassle- free customer experience, sufficient product availability, and reliable, timely delivery of our products. If we are unable to maintain and increase customers' use of our website, allocate sufficient product to our website, and increase any sales through our website, our business, sales, financial condition and results of operations could be harmed. Our future success depends on the continuing efforts of our management and key employees, and on our ability to attract and retain highly skilled personnel and senior management. We depend on the talents and continued efforts of our senior management and key employees. The loss of members of management or key employees may disrupt our business and harm our business, sales, financial condition and results of operations. Furthermore, our ability to manage further expansion will require us to continue to attract, motivate, and retain additional qualified personnel. Competition for this type of personnel is intense, and we may not be successful in attracting, integrating, and retaining the personnel required to grow and operate our business effectively. There can be no assurance that our current management team or any new members of the management team will be able to successfully execute our business and operating strategies. Our results of operations may be adversely affected by increases in labor costs, labor shortages, and / or turnover and labor cost increases. An overall labor shortage, lack of skilled labor, increased turnover or labor inflation, increase in federal or state minimum wages, or increase in general labor costs, caused by the COVID-19 pandemic or as a result of general macroeconomic factors, could have a material adverse impact on our operations, results of operations, liquidity or cash flows. During 2021, the country experienced an overall tightening and increasingly competitive

labor market, and the labor market remained competitive throughout 2022. A sustained labor shortage or increased turnover rates within our employee base, caused by worsening economic conditions, increases in labor costs or the COVID-19 pandemic or other national or international emergencies, could lead to increased costs, such as increased overtime to meet demand and increased salaries and wage rates to attract and retain employees. Further, labor shortages or increased turnover rates could negatively affect our ability to efficiently operate our business if we are unable to hire and retain employees capable of performing at a high-level, or if mitigation measures we take to respond to a decrease in labor availability have unintended negative consequences. If we are unable to hire or retain skilled personnel, our results of operations would suffer. We rely on complex **Our operations and reputation may be negatively impacted if our** information **technology** systems for management of our manufacturing, distribution, sales and other functions. If our information systems fail to perform these functions adequately or if we experience an interruption in our operations **due to**, including a breach in cyber security, **threats** or **disruptions**. Our business, sales, financial condition and results of operations could suffer. All of our major operations, including manufacturing, distribution, sales and accounting, are dependent upon **on information technology systems, which manage crucial functions such as manufacturing, distribution, sales, accounting, and communications**. Effective resource allocation and management are vital for building, sustaining, and safeguarding these systems. Failure to do so, including inadequate oversight of system upgrades or complex third-party service providers, could negatively impact our business and financial results. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction or reporting errors, processing inefficiencies and the loss of sales and customers, causing our business and results of operations to suffer. Furthermore, our information technology systems, and the systems of our customers, vendors, suppliers, and other third-party service providers, are subject to cyber-attacks or other security incidents including computer viruses or other malicious codes, phishing attacks, unauthorized access attempts, cyber extortion, business email compromise, social engineering schemes, denial of service attacks, hacking, ransomware, or other cyberattacks attempting to exploit vulnerabilities. Cybercriminals have increasingly demonstrated advanced capabilities, such as use of zero-day vulnerabilities, and rapid integration of new technology such as generative artificial intelligence. Such incidents could result in unauthorized access to information including customer, consumer or other company confidential data as well as disruptions to operations. To address the risks to our information technology systems and data, we maintain an information security program that includes updating technology, developing security policies and procedures, implementing and assessing the effectiveness of controls, monitoring and routine testing of our information systems, and designing business processes to mitigate the risk of such breaches. We believe that these preventative actions provide adequate measures of protection against security breaches and generally reduce our cybersecurity risks. However, cyber-threats are constantly evolving, are becoming more sophisticated and are being made by groups of individuals with a wide range of expertise and motives, which increases the difficulty of detecting and successfully defending against them. There can be no assurance that these measures will prevent or limit the impact of a future incident. Moreover, the development and maintenance of these measures requires continuous monitoring as technologies change and efforts to overcome security measures evolve. Additionally, we rely on services provided by third-party vendors for certain information technology processes and functions, which makes our operations vulnerable to a failure by any one of these vendors to perform adequately or maintain effective internal controls. If they fail to deter, detect or report cyber incidents in a timely manner, we may suffer financial and other harm, including to our information, operations, performance, and reputation. We face additional cybersecurity risks due to our reliance on internet technology and hybrid work arrangements, which could strain our technology resources or create additional opportunities for cybercriminals to exploit vulnerabilities. We are also subject to increasing and evolving government, customer and other cyber and security requirements, including disclosure obligations. If we are unable to prevent or adequately respond to and resolve a cybersecurity incident, it may have a material, negative impact on our operations or business reputation, and we may experience other adverse consequences such as loss of assets, remediation costs, litigation, regulatory investigations, and the failure by us to retain or attract customers following such an event, any of which could adversely affect our reputation, operations, financial performance and condition. Our information systems are also vulnerable to damage or interruption from: earthquake computer system failures, fire software defects, flood, hurricane and other natural disasters, power loss, human error computer systems failure, Internet and telecommunications or data-network failure failures; and hackers, computer viruses, ransomware and other malware, software bugs or glitches. Any damage or significant disruption in the operation of such **Such incidents** systems, the failure of our information systems to perform as expected, the failure to successfully integrate the information technology systems of the businesses that we have recently acquired or any security breach to the information systems (including financial or credit / payment frauds) would **could** disrupt our business, which may result in decreased sales, increased overhead costs, excess inventory and product shortages and otherwise adversely affect our reputation **company**, including incurring unanticipated costs to remediate impacts and lost business. **Our customers and suppliers face similar risks that, if realized, could also adversely impact our** operations, financial performance and condition. Our information systems are subject to security threats and sophisticated cyber-based attacks, including, but not limited to, denial-of-service attacks, hacking, "phishing" attacks, computer viruses, ransomware, malware, employee or insider error, malfeasance, social engineering, or physical breaches, that can cause deliberate or unintentional damage, create system disruptions, unauthorized acquisition of our or customer information, or destruction or misuse, manipulation, denial of access to or disclosure of confidential or important information. We have experienced **in the past**, and expect to continue to **confront experience**, **cybersecurity threats** efforts by hackers and **attacks** other third parties to gain unauthorized access or deny access to, including or otherwise disrupt, our information systems. For example, we were the target of an external cyber-attack in 2021 that, which resulted in a temporary suspension of services to our customers. To date these incidents have not had a material

impact **adverse effect** on our reputation, **business and results of** operations, financial performance and condition; however, there is **can be** no assurance that such impacts will not be material in the future. **The occurrence** and such incidents have in the past and may in the future have the impacts **impact of these various risks are difficult to predict, but one** discussed below. Any future successful cyber-attack or catastrophic natural disaster could significantly affect our **or more of them** operating and financial systems and could temporarily disrupt our ability to **manage our operations**, provide services to our customers, **impact our ability to manage our operations** and perform vital financial processes, any of which could have a materially adverse effect on our business. Moreover, the threat of cyber-attacks is constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures and we cannot ensure that we will be able to identify, prevent or contain the effects of future cyber-attacks or other cybersecurity risks that bypass our security measures or disrupt our information technology systems or business. While we have security technologies, processes and procedures in place to protect against cybersecurity risks and security breaches, the hardware, software or applications we develop or procure from third parties may contain defects in design, manufacturer defects or other problems that could unexpectedly compromise information security. In addition, because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, are becoming increasingly sophisticated, and may not immediately produce signs of intrusion, we may be unable to anticipate these techniques, timely discover or counter them or implement adequate preventative measures. As a result of any such incidents, we could be subject to litigation and regulatory risk, civil and criminal penalties, additional costs and diversion of management attention due to investigation, remediation efforts and engagement of third party consultants and legal counsel in connection with such incidents, payment of "ransoms" to regain access to our systems and information, loss of customers, damage to customer relationships, reduced revenue and profits, refunds of customer charges and damage to our reputation, any of which could have a material adverse effect on our business, cash flows, financial condition and results of operations. While we have contingency plans and insurance coverage for potential liabilities of this nature, they may not be sufficient to cover all claims and liabilities and in some cases are subject to deductibles and layers of self-insured retention. **We are exposed** Cyber-attacks, unauthorized access to, or accidental disclosure **risks related to the failure to protect the integrity of individually**, consumer personally identifiable information including credit card of our customers, vendors, suppliers and employees. **As our** information **technology systems contain certain information about individuals and businesses**, that our failure to maintain the security of the data we collect through our websites may **hold, whether as a result of our own error** in significant expense and adversely impact our **or** reputation and business. There is heightened concern and awareness over **the malfeasance or errors of others, could lead to disruptions in our online ordering system or the other data systems, and could lead to unauthorized release of confidential or otherwise protected information or corruption of data. Failure to maintain** security of personal information transmitted over the Internet, consumer identity theft **the** and user **data we hold could also result in violations of applicable privacy, data security and other laws, potentially subjecting us to lawsuits, fines and other forms of regulatory enforcement**. While we have implemented security measures, our **computer information technology** systems **remain** may nevertheless be susceptible to **cyber** electronic or physical computer break-ins **attacks**, viruses and other disruptions and security compromises. Any **perceived or actual** unauthorized or inadvertent disclosure of personally identifiable information, whether through a compromise of our network by an unauthorized party, employee theft, misuse **or**, error, or otherwise, **could harm** **has the potential to damage** our reputation, impair our ability to attract website visitors, or subject us to claims or litigation arising from damages suffered by consumers, **and**. **This could** adversely affect our operations, financial performance and condition. We depend on cash generated from our operations to support our growth, and we may need to raise additional capital, which may not be available on terms acceptable to us, or at all. We primarily rely on cash flow generated from our sales to fund our current operations and growth initiatives. As we expand our business, we will need significant cash from operations to purchase inventory, increase product development, expand our manufacturer and supplier relationships, pay personnel, pay for the increased costs associated with operating as a public company and further invest in sales and marketing efforts. If our business does not generate sufficient cash flow from operations to fund these activities and sufficient funds are not otherwise available from our current or future credit facility, we may need additional equity or debt financing. If such financing is not available to us on satisfactory terms, our ability to operate and expand our business or to respond to competitive pressures could be harmed. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, the ownership of our existing stockholders may be diluted. The holders of new securities may also have rights, preferences or privileges which are senior to those of existing holders of our Common Stock. In addition, any indebtedness we incur may subject us to covenants that restrict our operations and will require interest and principal payments that could create additional cash demands and financial risk for us. **Events affecting the financial services industry could have an adverse impact on the Company's business operations, financial condition, and results of operations. The closures of certain regional banks have created bank-specific and broader financial institution liquidity risk and concerns. Future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages, impair the ability of companies to access working capital needs, and create additional market and economic uncertainty. Although we do not have any funds in any of the banks that have been placed into receivership to date, we cannot guarantee that the banks or other financial institutions that hold our funds will not experience similar issues. These events have resulted in market disruption and volatility and future similar events could lead to greater instability in the credit and financial markets and a deterioration in confidence in economic conditions. Our operations may be adversely affected by any such economic downturn, liquidity shortages, volatile business environments, or unpredictable market conditions. These events could also make any necessary debt or equity financing more difficult and / or costly. The future effect of these events on the financial services industry and broader economy are unknown and difficult to predict but could include failures of other financial institutions to which we or our customers, vendors, or other counterparties**

face direct or more significant exposure. Any such developments could adversely impact our results of operation and financial position, and there may be other risks we have not yet identified. Our indebtedness may limit our ability to invest in the ongoing needs of our business and if we are unable to comply with the covenants in our current credit agreements, our business, sales, financial condition and results of operations could be harmed. On November 18, 2021, we entered into a credit facility with a syndicate of lenders and Wells Fargo Bank, N. A., as administrative agent for the lenders, letter of credit issuer and swing line lender (**as amended,** the "Credit Agreement"). On December 31, ~~2022-2023~~, \$ ~~659-592~~. ~~45~~ million in principal was outstanding under the credit facility. We are required to make quarterly payments of principal plus accrued interest. The Credit Agreement imposes various restrictions and contains customary affirmative and restrictive covenants, including, without limitation, certain reporting obligations, certain limitations on restricted payments, and limitations on liens, encumbrances and indebtedness. In addition, borrowings under the Credit Agreement are jointly and severally guaranteed by us and certain of our wholly owned material subsidiaries and our future subsidiaries that become guarantors (collectively the "Loan Parties"). The First Lien Credit Agreement is secured by a first- priority lien on substantially all of the Loan Parties' assets, in each case subject to certain customary exceptions. If we fail to comply with the covenants or payments specified in the Credit Agreement, the lender could declare an event of default, which would give it the right to declare all borrowings outstanding, together with any accrued and unpaid interest and fees, to be immediately due and payable. The Credit Agreement places certain conditions on us including, subject to certain conditions, reductions and exceptions, requiring us to utilize a portion of our and our subsidiaries' cash flow from operations to make payments on our and our subsidiaries' indebtedness, reducing the availability of cash flow to fund working capital, capital expenditures, development activity, return capital to our stockholders, and other general corporate purposes. Our and our subsidiaries' compliance with these conditions may limit our and our subsidiaries' ability to invest in ongoing business needs. For example, complying with these conditions: • increases vulnerability to adverse economic or industry conditions; • limits flexibility in planning for, or reacting to, changes in business or markets; • increases vulnerability to higher interest rates, as borrowings under the Credit Agreement bear interest at variable rates; • limits our ability to obtain additional financing in the future for working capital or other purposes; and • potentially places us at a competitive disadvantage compared to our competitors that have less indebtedness. The Credit Agreement places certain limitations on our and certain of our subsidiaries' ability to incur additional indebtedness. However, subject to the certain exceptions and baskets in the Credit Agreement, we and our subsidiaries may incur substantial additional indebtedness under and outside of such credit agreement. The Credit Agreement also limits or prohibits, among other things, and in each case, subject to exceptions, materiality thresholds and baskets, our and certain of our subsidiaries' ability to: (a) pay dividends on, redeem or repurchase stock, or make other distributions; (b) incur or guarantee additional indebtedness; (c) sell stock in certain of our subsidiaries; (d) create or incur liens; (e) make acquisitions or investments; (f) transfer or sell certain assets or merge or consolidate with or into other companies; (g) make certain payments or prepayments of indebtedness subordinated to our obligations under the Credit Agreement; and (h) enter into certain transactions with our affiliates. In addition to the restrictions described above, the Credit Agreement requires us and certain of our subsidiaries to comply with certain other covenants, including a financial maintenance covenant regarding our total net leverage ratio on the last day of each fiscal quarter, with step downs to lower total net leverage ratio levels at specified times as set forth therein. Failure to comply with these covenants and certain other provisions of the Credit Agreement, or the occurrence of a change of control, could result in an event of default and an acceleration of the Loan Parties' obligations under the Credit Agreement or other indebtedness that we and our subsidiaries may incur in the future. In February 2023, the Company entered into an amendment to its Credit Agreement which, among other things, **increases increased** the consolidated net leverage ratio financial covenant level applicable under the Credit Agreement as of the fiscal quarter ending ~~March 31~~ **April 2**, 2023 ~~through the fiscal quarter ending March 31, 2024 (the "Covenant Relief Period"),~~ to initially 7.25: 1.00, and provides for modified step- down levels for such covenant thereafter **through the fiscal quarter ending March 31, 2024 (the "Covenant Relief Period"). Commencing with the fiscal quarter ending June 30, 2024 (or such earlier date as the Company may choose to end the Covenant Relief Period in its sole discretion), the consolidated net leverage financial covenant reverts back to 5: 00: 1.00**. As an ongoing condition to the Covenant Relief Period, the Company also agreed to (i) a minimum liquidity test, (ii) an interest coverage test, (iii) an anti- cash hoarding test at any time revolving loans are outstanding, and (iv) additional reporting obligations. If such an event of default and acceleration of the Loan Parties' obligations occurs, subject to intercreditor agreements agreed to by the lenders, the lenders under the Credit Agreement would have the right to proceed against the collateral the Loan Parties granted to them to secure such indebtedness. If the debt under the Credit Agreement were to be accelerated, we and our subsidiaries may not have sufficient cash or be able to sell sufficient collateral to repay this debt, which would immediately and materially harm our and our subsidiaries' business, sales, financial condition and results of operations. The threat of our debt being accelerated in connection with a change of control could make it more difficult for us to attract potential buyers or to consummate a change of control transaction that would otherwise be beneficial to our stockholders. ~~The announced upcoming discontinuance of publishing LIBOR rates may impact the cost or availability of financing for us. A large portion of our variable rate indebtedness (\$ 659 million of outstanding principal on December 31, 2022) references the London interbank offered rates ("LIBOR") as a benchmark for establishing the interest rate. LIBOR is expected to be phased out by June 2023. With the expected discontinuation of LIBOR, the U. S. Federal Reserve has begun publishing a Secured Overnight Funding Rate ("SOFR"), an index based on transactions in the Treasury repurchase market. SOFR is a relatively new reference rate and with a limited history, and changes in SOFR have, on occasion, been more volatile than changes in other benchmark or market rates. At this time, it is uncertain whether SOFR or other alternative reference rates may become widely accepted alternatives for LIBOR. Although our LIBOR- based borrowings under our existing credit facility contemplate a transition from LIBOR to an alternative index, there is uncertainty as to the nature of alternative reference rates and as to potential changes relating to the replacement of LIBOR with SOFR. The transition may result in an adverse impact on our interest expense, in which event our available cash flow for general corporate requirements~~

~~maybe adversely affected.~~ Our failure to maintain effective internal controls over financial reporting could harm us. As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting. As an emerging growth company, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event that it is not satisfied with the level at which our controls are documented, designed or operating. Any failure to maintain internal control over financial reporting, or any failure to fully remediate the existing or any future material weaknesses that may be found to exist, could inhibit our ability to accurately and on a timely basis report our cash flows, results of operations or financial condition in compliance with applicable securities laws. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our Common Stock and Warrants could decline and we could be subject to sanctions or investigations by NYSE, the SEC or other regulatory authorities. Failure to remediate any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets and negatively impact the price and trading market for our Common Stock and Warrants. Our disclosure controls and procedures may not prevent or detect all acts of fraud. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to management and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Our management expects that our disclosure controls and procedures and internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within our company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by an unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and we cannot assure that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We may acquire or invest in other companies **to complement our organic growth**, which we may not be able to integrate successfully -- **successful** -- and **may** which could divert **financial and** management **resources**'s attention, result in dilution to our stockholders, and otherwise disrupt our operations and harm our business, sales, financial condition and results of operations. Our **Historically our** growth has **been** depended **dependent on our acquisition strategy**, and our future growth **may** is likely to continue to depend, in part, on our acquisition strategy and the successful integration of acquired businesses into our existing operations. We intend to continue to seek acquisition **identify appropriate** opportunities both to expand into new markets and to enhance our position in existing markets. We cannot assure that we will be able to successfully integrate acquired **acquire or invest in** businesses into our **or assets** existing operations or expand into new markets. In addition, we cannot assure that any acquisition, once successfully integrated, will perform as planned, be accretive to earnings, or prove to be beneficial to our results of operations or cash flow. Additionally, we may be unable to identify suitable businesses to acquire, which could negatively impact our growth, or we may be unable to complete proposed transactions in a timely matter if we fail to obtain any requisite regulatory approvals. In the future, we may acquire or invest in businesses, products, or technologies that we believe could complement or expand our business, enhance our capabilities, or otherwise offer growth opportunities. **However, we may not be successful in identifying suitable acquisition opportunities or completing such transactions.** The pursuit of potential acquisitions may divert the attention of management and cause us to incur various costs and expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. **Our ability to enter into and complete acquisitions may be restricted by, or subject to, various approvals under U. S. or other applicable law or may not otherwise be possible, may result in a possible dilutive issuance of our securities, or may require us to seek additional financing. In addition, following completion of any** ~~an~~ future acquisitions ~~acquisition~~, we ~~our~~ management and resources may be diverted from their **core business activities due to the integration process, which diversion may harm the effective management of our business. We may experience difficulties integrating acquired operations, technology, and personnel into our existing business and operations. It** ~~may not be able possible to successfully achieve the expected synergies or the actual cost of delivering such benefits may exceed the anticipated cost. We cannot provide assurance that any acquisition, once integrate integrated~~ ~~acquired personnel,~~ **will perform as planned, be accretive to earnings, or prove to be beneficial to our results of operations**, and technologies, or **cash flow. Completed** effectively manage the combined business following the acquisition **acquisitions may also expose us**. The success of our acquisition strategy is subject to other **potential** risks and uncertainties, including: • an ability to realize operating efficiencies, synergies or other benefits expected from an acquisition, and possible delays in realizing the benefits of the acquired company or products; • the risks associated with the assumption of product liabilities, or contingent or undisclosed liabilities of the acquired company; • difficulties in maintaining uniform standards, controls, procedures and policies throughout acquired companies; • diversion of management's attention from other business concerns; • difficulties in retaining key employees, customers or suppliers of the acquired business; • the ability to generate future cash flows or the availability of financing; • the incurrence of acquisition-related costs; • acquisition-related litigation; • unexpected capital expenditure requirements; or • the issuance of dilutive equity securities, the incurrence of debt

difficulties in maintaining uniform standards, or the use of cash to fund such acquisitions. In addition, an acquisition could adversely impact to our corporate culture, the diversion of resources from our existing business, and the potential loss of, our or operating performance harm to, relationships with our suppliers, business relationships or employees as a result of the incurrence of acquisition-related debt, pre-acquisition potential tax liabilities, acquisition expenses, amortization of acquisition-related intangible assets, or our possible future impairment of goodwill or intangible assets associated with the acquisitions. Even if an acquisition is integrated integration of new businesses successfully, it may fail to realize expected revenues, gross and operating margins, net income and other returns. We may also face liability with respect to acquired businesses for violations of environment laws occurring prior to the date of acquisition, which may not be covered by environment insurance secured to mitigate the risk or by indemnification from the sellers of the acquired businesses. We could also incur significant costs, including, but not limited to, remediation costs, natural resources damages, civil or criminal fines and sanctions, and third-party claims, as a result of past or future violations of, or liabilities, associated with environmental laws. Any of these factors may have an adverse effect on our business, results of operations and financial condition. Our management team does not have extensive experience managing a public company. Most members of our management team do not have prior extensive experience in operating a public company. Most members of our management team do not have prior experience in managing a publicly traded company. As such, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our management team may not encounter difficulties in successfully or efficiently manage us as effectively managing our transition to a public company that is subject to significant regulatory oversight and in complying with our reporting and other obligations under federal securities laws and other the continuous scrutiny regulations and in connection with operating as a public company. Their lack of securities analysts prior experience in dealing with the reporting and other investors. These obligations and laws pertaining to public companies constituents require significant attention from our senior management and could result in divert their attention away from the day-to-day management of our business, being required to devote significant time to these activities which may could adversely affect our business, result results in less time being devoted to the management and growth of operations the Company. In addition, we are hiring additional personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal controls over financial condition reporting required of public companies. We may incur significant expense in connection with these efforts. If our goodwill, other intangible assets, or fixed assets become impaired, we may be required to record a charge to earnings. We may be required to record future impairments of goodwill, other intangible assets, or fixed assets to the extent the fair value of these assets falls below their book value. Our estimates of fair value are based on assumptions regarding future cash flows, gross margins, expenses, discount rates applied to these cash flows, and current market estimates of value. Estimates used for future sales growth rates, gross profit performance, and other assumptions used to estimate fair value could cause us to record material non-cash impairment charges, which could harm our financial condition and results of operations. We assess the potential impairment of goodwill and indefinite-lived intangible assets on an annual basis or whenever events or changes in circumstances indicate the carrying value of these assets may have been impaired. During the third quarter of 2022, we concluded it was necessary to reevaluate goodwill and indefinite-lived intangible assets for impairment after supply chain challenges led to a downward revision of earnings estimates for 2022, which resulted in a decline in our market capitalization. Based on a quantitative assessment in the third quarter of 2022, we identified impairment of \$ 2. 4 million on certain indefinite-lived tradenames but did not identify any indicators of goodwill impairment. During the fourth quarter of 2022, we performed our annual impairment test for goodwill, and a quantitative analysis did not identify any indicators of impairment. Based on the annual impairment assessment, the estimated fair value exceeded the carrying value of the reporting unit by 15 %. On As of December 31, 2022, we concluded it was necessary to reevaluate goodwill for impairment due to a further downward revision of earnings estimates for 2022 and a continued decline in our market capitalization. Accordingly, we performed a qualitative assessment and did not identify any indicators of impairment. During the fourth quarter of 2023, we performed our annual impairment test for goodwill, and a qualitative analysis did not identify any indicators of impairment. Goodwill was \$ 418-419 . 1 million on as of December 31, 2022-2023, and is considered at higher risk of failing future quantitative impairment tests due to the narrow difference between fair value and carrying value. Global climate change and related regulations could negatively affect our business. The effects of climate change, such as extreme weather conditions, create financial risks to our business. The demand for our products may be affected by extreme weather conditions, such as droughts, wildfires and flooding. These types of extreme weather events have and may continue to adversely impact us, our suppliers, our customers and their ability to purchase our products and our ability to timely receive appropriate raw materials to manufacture and transport our products on a timely basis. The effects of climate change could also disrupt our operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs. We could also face indirect financial risks passed through the supply chain and disruptions that could result in increased prices for our products and the resources needed to produce them. Furthermore, the long-term impacts of climate change, whether involving physical risks (such as extreme weather conditions, drought, or rising sea levels) or transition risks (such as regulatory or technology changes) are expected to be widespread and unpredictable. Certain impacts of physical risk may include: temperature changes that increase the heating and cooling costs at our facilities; extreme weather patterns that affect the production or sourcing of certain components; flooding and extreme storms that damage or destroy our buildings and inventory; and heat and extreme weather events that cause long-term disruption or threats to the habitability of our customers' communities. Relative to transition risk, certain impacts may include: changes in energy and commodity prices driven by climate-related weather events; prolonged climate-related events affecting macroeconomic conditions with related effects on consumer spending and confidence; stakeholder perception of our engagement in climate-related policies; and new regulatory requirements resulting in higher compliance risk and operational costs. Climate change is continuing to receive ever increasing attention worldwide, which could lead to additional legislative

and regulatory efforts to increase transparency and standardization of reporting of greenhouse gas emissions, energy policies, and renewable energy usage. Additionally, new federal or state restrictions on emissions of carbon dioxide that may be imposed on vehicles and automobile fuels could adversely affect demand for vehicles, annual miles driven or the products we sell or lead to changes in automotive technology. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require increased capital expenditures to improve our product portfolio to meet such new laws, regulations and standards. Increasing scrutiny and evolving expectations with respect to our environmental, social and governance (“ ESG ”) practices may impose additional costs on us or expose us to new or additional risks. In addition to the increased legislative and regulatory attention to climate change, customer, investor, and employee expectations in ESG have been rapidly evolving and increasing. While we have been committed to continuous improvements to our product portfolio to meet anticipated regulatory standard levels, if customers, regulators or investors demand we increase our greenhouse gas emission or renewable energy disclosures or our ESG initiatives, we may have to implement additional reporting standards and reporting requirements. If we fail to meet customer, investor, or employee expectations, we may be unable to attract or retain our consumer base or talent. Further, there can be no assurance that our commitments will be successful, that our products will be accepted by the market, that proposed regulation or deregulation will not have a negative competitive impact, or that economic returns will reflect our investments in new product development. The standards by which ESG efforts and related matters are measured are developing and evolving, and we could be criticized for the scope of our initiatives and goals, or lack thereof. If we fail to comply with the evolving customer or investor or employee expectations and standards, or if we are perceived to have failed to adequately respond to such expectations and standards, we may suffer from reputational damage, which could have an adverse impact on our business or financial condition.

Legal, Regulatory and Compliance Risks Related to Our Business We may become involved in legal or regulatory proceedings and audits. Our business requires compliance with many laws and regulations, including labor and employment, sales and other taxes, customs, and consumer protection laws and ordinances that regulate retailers generally and / or govern the importation, promotion, and sale of merchandise, and the operation of stores and warehouse facilities. Failure to comply with these laws and regulations could subject us to lawsuits and other proceedings, and could also lead to damage awards, fines, and penalties. We may become involved in a number of legal proceedings and audits, including government and agency investigations, and consumer, employment, tort, and other litigation. The outcome of some of these legal proceedings, audits, and other contingencies could require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our business, sales, financial condition and results of operations. Additionally, defending against these lawsuits and proceedings may be necessary, which could result in substantial costs and diversion of management’ s attention and resources, harming our business, sales, financial condition and results of operations. Any pending or future legal or regulatory proceedings and audits could harm our business, sales, financial condition and results of operations. We may become subject to intellectual property claims or lawsuits that could cause us to incur significant costs or pay significant damages or that could prohibit us from selling our products. Our competitors also seek to obtain patent, trademark, copyright or other protection of their proprietary rights and designs for automotive products. From time to time, third parties have claimed or may claim in the future that our products infringe upon their proprietary rights. We evaluate any such claims and, where appropriate, have obtained or sought to obtain licenses or other business arrangements. To date, there have been no significant interruptions in our business as a result of any claims of infringement. However, in the future, intellectual property claims could force us to alter our existing products or withdraw them from the market or could delay the introduction of new products. Various patents have been issued to our competitors in the automotive parts industry and these competitors may assert that our products infringe their patent or other proprietary rights. If our products are found to infringe third- party intellectual property rights, we may be unable to obtain a license to use such technology, and we could incur substantial costs to redesign our products, withdraw them from the market, and / or to defend legal actions. Sales of our products by unauthorized retailers or distributors could adversely affect our authorized distribution channels and harm our reputation. Some of our products may find their way to unauthorized outlets or distribution channels. This “ gray market ” for our products can undermine authorized retailers and foreign wholesale distributors who promote and support our products and can injure our brands in the minds of our customers and consumers. On the other hand, stopping such commerce could result in a potential decrease in sales to those customers who are selling our products to unauthorized distributors or an increase in sales returns over historical levels. While we have taken some lawful steps to limit commerce of our products in the “ gray market ” in both the United States and abroad, we have not stopped such commerce. We are subject to environmental, health and safety, and other governmental laws and regulations, which could subject us to liabilities, increase our costs or restrict our operations in the future. Our properties and operations are subject to a number of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, including, among others, regulations of the California Air Resources Board. These laws and regulations govern, among other things, air emissions, water discharges, handling and disposal of solid and hazardous substances and wastes, soil and groundwater contamination and employee health and safety. Our failure to comply with such environmental, health and safety laws and regulations could result in substantial civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring remedial or corrective measures, installation of pollution control equipment or other actions. We may also be subject to liability for environmental investigations and cleanups, including at properties that we currently or previously owned or operated, even if such contamination was not caused by us, and we may face claims alleging harm to health or property or natural resource damages arising out of contamination or exposure to hazardous substances. We may also be subject to similar liabilities and claims in connection with locations at which hazardous substances or wastes we have generated have been stored, treated, otherwise managed, or disposed. Environmental conditions at or related to our current or former properties or operations, and / or the costs of complying with current or future environmental, health and safety requirements (which have become more stringent and complex over time) could materially adversely affect our business, sales, financial condition and

results of operations. **Compliance with new and proposed ESG disclosure requirements, including the climate change disclosure requirements of the SEC and the State of California, could require significant effort and divert management's attention and resources, which could adversely affect our operating results. We are also subject to evolving data privacy and cybersecurity laws and regulations (including applicable standards), compliance with which may also increase our costs of doing business.** Changes in, or any failure to comply with, privacy laws, regulations, and standards may adversely affect our business. Personal privacy and data security have become significant issues in the United States, Europe, and in many other jurisdictions in which we operate. The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Furthermore, federal, state, or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting data privacy, all of which may be subject to invalidation by relevant foreign judicial bodies. Industry organizations also regularly adopt and advocate for new standards in this area. In the United States, these include rules and regulations promulgated under the authority of federal agencies and state attorneys general and legislatures and consumer protection agencies, including, but not limited to, the California Consumer Privacy Act (“CCPA”). Internationally, many jurisdictions in which we operate have established their own data security and privacy legal framework with which we or our customers must comply, including, but not limited to, the European General Data Protection Regulation (“GDPR”), which imposes certain privacy-related obligations and potential penalties and risks upon our business. In many jurisdictions, enforcement actions and consequences for noncompliance are also rising. In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us. Any inability or perceived inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable privacy and data security laws, regulations, and policies, could result in additional cost and liability to us, damage our reputation and adversely affect our business. Our insurance policies may not provide adequate levels of coverage against all claims, and we may incur losses that are not covered by our insurance. We maintain insurance of the type and in amounts that we believe are commercially reasonable and that ~~is~~ **are** available to businesses in our industry. We carry various types of insurance, including general liability, auto liability, workers’ compensation, cyber, and excess umbrella, from highly rated insurance carriers. Market forces beyond our control could limit the scope of the insurance coverage that we can obtain in the future or restrict our ability to buy insurance coverage at reasonable rates. We cannot predict the level of the premiums that we may be required to pay for subsequent insurance coverage, the level of any deductible and / or self-insurance retention applicable thereto, the level of aggregate coverage available or the availability of coverage for specific risks. In the event of a substantial loss, the insurance coverage that we carry may not be sufficient to compensate us for the losses we incur or any costs we are responsible for. Changes in tax law or regulation, effective tax rates and unanticipated tax liabilities could adversely affect our effective income tax rate and profitability. We are subject to income taxes in the United States (federal and state) and various foreign jurisdictions. Our future effective income tax rate could be subject to volatility or adversely affected by a number of factors, including changes in the valuation of deferred tax assets and liabilities, changes in tax laws, regulations, accounting principles, or interpretations and application thereof. In particular, the U. S. government may enact significant changes to the taxation of business entities including, among others, an increase in the corporate income tax rate, the imposition of minimum taxes or surtaxes on certain types of income, significant changes to the taxation of income derived from international operations, and an addition of further limitations on the deductibility of business interest. For example, the U. S. government enacted the Inflation Reduction Act which, among other things, imposes a minimum tax on certain corporations with book income of at least \$ 1 billion, subject to certain adjustments, and a 1 % excise tax on certain stock buybacks and similar corporate actions. Any of these or similar developments or changes in federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results. We are also subject to the continuous examination of our income and other tax returns by the Internal Revenue Service and other tax authorities globally. It is possible that tax authorities may disagree with certain positions we have taken, and an adverse outcome of such a review or audit could have a negative effect on our financial position and operating results. There can be no assurance that the outcomes from such examinations, or changes in tax law or regulation impacting our effective tax rates, will not have an adverse effect on our business, financial condition and results of operations. Risks Related to Ownership of Our Securities Certain of our stockholders, including the Holley Stockholder and the Sponsor, may have conflicts of interest with other stockholders and may limit other stockholders' ability to influence corporate matters. **At On** December 31, **2022-2023**, the ~~“Holley Stockholder”~~ and the ~~“Sponsor”~~ (together with its affiliates) beneficially own, in the aggregate, approximately ~~55-50%~~ **55-50%** of our shares of Common Stock, excluding any Warrants exercisable for Common Stock held by Sponsor or its affiliates (or ~~57-52%~~ **57-52%** inclusive of shares of Common Stock underlying Warrants held by Sponsor and its affiliates). As a result of this concentration of stock ownership, these parties acting together have sufficient voting power to effectively control ~~all~~ **most** matters submitted to our stockholders for approval, including director elections and proposed amendments to our certificate of incorporation and bylaws. On July 16, 2021, (the “Closing” and such date, the “Closing Date”), the Company, the Sponsor, certain affiliates of the Sponsor, the Holley Stockholder and Sentinel Capital Partners V, L. P., Sentinel Capital Partners V- A, L. P. and Sentinel Capital Investors V, L. P., controlling affiliates of the Holley Stockholder entered into the Stockholders’ Agreement, pursuant to which the Holley Stockholder and the Sponsor have the right to designate nominees for election to our board of directors subject to certain beneficial ownership requirements. In addition, this concentration of ownership may delay or prevent a merger, consolidation or other business combination or change in control of our company and make some transactions that might otherwise give stockholders the opportunity to realize a premium over the then-prevailing market price of our securities more difficult or impossible without their support. Because we have opted out of Section 203 of the Delaware General Corporation Law (“DGCL”) regulating certain business combinations with interested stockholders, these parties may transfer their shares of Common Stock and such control of us to a third party, which would not require the approval of our board of directors or other stockholders and may limit the price that investors are willing to pay in

the future for shares of our Common Stock. The interests of these parties may not always coincide with our interests as a company or the interests of other stockholders. Accordingly, these parties could cause us to enter into transactions or agreements of which other stockholders may not approve or make decisions with which other stockholders would disagree. This concentration of ownership may also adversely affect the trading prices of our securities. Each of the Holley Stockholder and the Sponsor is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The certificate of incorporation provides that none of the Holley Stockholder, the Sponsor, any of their affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his or her director and officer capacities) or his or her affiliates will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Each of the Holley Stockholder and the Sponsor also may pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. Warrants are exercisable for Common Stock, which could increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders. On December 31, ~~2022~~ **2023**, we had an aggregate of 14,633,311 Warrants issued and outstanding, representing the right to purchase an equivalent ~~amount~~ **number** of shares of Common Stock. ~~The Warrants became exercisable on October 9, 2021.~~ The exercise price of the Warrants is \$ 11.50 per share. To the extent such Warrants are exercised, additional shares of Common Stock will be issued, which will result in dilution to our stockholders and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such Warrants may be exercised could adversely affect the market price of our Common Stock. However, there is no guarantee that the Warrants will ever be in the money prior to their expiration, and as such, the Warrants may expire worthless. The Warrants may expire worthless, and the terms of the Warrants may be amended in a manner adverse to a holder if holders of at least 50 % of the then-outstanding Warrants approve of such amendment. The Warrant Agreement provides that the terms of the Warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but it requires the approval by the holders of at least 50 % of the then-outstanding Warrants to make any change that adversely affects the interests of the registered holders of the Warrants. Accordingly, we may amend the terms of the Warrants in a manner adverse to a holder if holders of at least 50 % of the then-outstanding Warrants approve of such amendment. Although our ability to amend the terms of the Warrants with the consent of at least 50 % of the then-outstanding Warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the Warrants, shorten the exercise period or decrease the number of Common Stock purchasable upon exercise of a Warrant. The market price and trading volume of Common Stock and Warrants may be volatile. Stock markets, including the NYSE, have from time-to-time experienced significant price and volume fluctuations. Even if an active, liquid and orderly trading market develops and is sustained for Common Stock and Warrants, the market price of Common Stock and Warrants may be volatile and could decline significantly, whether or not any price changes are related to matters specific to us. In addition, the trading volume in Common Stock and Warrants may fluctuate and cause significant price variations to occur. If the market price of Common Stock and Warrants declines significantly, stockholders may be unable to resell shares of Common Stock and Warrants at or above the market price of Common Stock and Warrants. We cannot guarantee that the market price of Common Stock and Warrants will not fluctuate widely or decline significantly in the future in response to a number of factors, including, among others, the following: • the realization of any of the risk factors presented in this Annual Report; • actual or anticipated differences in our estimates, or in the estimates of analysts, for our revenues, results of operations, level of indebtedness, liquidity or financial condition; • additions and departures of key personnel; • failure to comply with the requirements of the NYSE; • failure to comply with the Sarbanes-Oxley Act or other laws or regulations; • future issuances, sales or resales, or anticipated issuances, sales or resales, of Common Stock; • perceptions of the investment opportunity associated with Common Stock relative to other investment alternatives; • the performance and market valuations of other similar companies; • future announcements concerning our business or our competitors' businesses; • broad disruptions in the financial markets, including sudden disruptions in the credit markets; • speculation in the press or investment community; • actual, potential or perceived control, accounting or reporting problems; • changes in accounting principles, policies and guidelines; and • general economic and political conditions, such as inflation, labor shortages, disruption of the supply chain, interest rates, fuel prices and other transportation costs, international currency fluctuations, geopolitical instability, **military conflicts and acts of war (including the conflict in Ukraine, the conflict in Israel and surrounding areas, and the possible expansion of** such as the ongoing ~~conflict~~ **conflicts** in Ukraine) or terrorism. ~~In the past, securities~~ **Securities** class ~~action~~ litigation has often been instituted against companies following periods of volatility in the market price of their securities. **The trading price of our common stock has experienced significant volatility. In addition, we and certain of our former executive officers have been named as defendants in a putative securities class action lawsuit. See Litigation in Note 19 "Commitments and Contingencies."** **We could face additional securities litigation class action lawsuits in the future.** This type of litigation **[has resulted and could continue to]** result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us. Reports published by analysts, including projections in those reports that differ from our actual results, could adversely affect the market price and trading volume of Common Stock and Warrants. The market for Common Stock and Warrants depends in part on the research and reports that securities or industry analysts publish about us or our business. Securities research analysts may establish and publish their own periodic projections for Holley. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for Common Stock and Warrants could decrease, which might cause the market price and trading volume of our Common Stock and Warrants to decline

significantly. Future sales of our Common Stock and Warrants in the public market could cause our stock price to fall. On December 31, 2022-2023, the Holley Stockholder and the Sponsor (together with its affiliates) beneficially own, in the aggregate, approximately 55-50% of our shares of Common Stock, excluding any warrants exercisable for Common Stock held by Sponsor or its affiliates (or 57-52% inclusive of shares of Common Stock underlying Warrants held by Sponsor and its affiliates). All shares held by our affiliates are eligible for resale in the public market, subject to applicable securities laws, including the Securities Act. Therefore, unless shares owned by any of our affiliates are registered under the Securities Act, these shares may only be resold into the public markets in accordance with the requirements of an exemption from registration or safe harbor, including Rule 144 and the volume limitations, manner of sale requirements and notice requirements thereof. However, pursuant to the terms the Amended and Restated Registration Rights Agreement, of which the Company entered into with the Sponsor and the Holley Stockholder at the closing of the Business Combination, the Sponsor and the Holley Stockholder have the right to demand that we register their shares under the Securities Act as well as the right to include their shares in any registration statement that we file with the SEC, subject to certain exceptions. The registration statement, which was filed pursuant to these registration rights, and any registration of other shares we may file in the future, enables those securities to be sold in the public market. Any sale by the Holley Stockholder, the Sponsor or other affiliates and stockholders, or any perception in the public markets that such a transaction may occur could cause the market price of our Common Stock and Warrants to decline materially. We may redeem unexpired Warrants prior to their exercise at a time that is disadvantageous to the Warrant holders, thereby making the Warrants worthless. We have the ability to redeem outstanding Warrants at any time prior to their expiration, at a price of \$ 0. 01 per Warrant, provided that the last reported sales price of Common Stock equals or exceeds \$ 18. 00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) on the trading day prior to the date on which we send the notice of redemption to the Warrant holders. If and when the Warrants become redeemable by us, we may not exercise our redemption right if the issuance of shares of Common Stock upon exercise of the Warrants is not exempt from registration or qualification under applicable state blue sky laws or we are unable to effect such registration or qualification. We will use our best efforts to register or qualify such shares of Common Stock under the blue- sky laws of the state of residence in those states in which the Warrants were offered. Redemption of the outstanding Warrants could force stockholders (i) to exercise the Warrants and pay the exercise price therefor at a time when it may be disadvantageous to do so, (ii) to sell the Warrants at the then- current market price when stockholders might otherwise wish to hold the Warrants or (iii) to accept the nominal redemption price which, at the time the outstanding Warrants are called for redemption, is likely to be substantially less than the market value of the Warrants. None of the Private Warrants will be redeemable by us so long as they are held by the Sponsor, or its permitted transferees. The NYSE may delist our securities from trading on its exchange, which could limit stockholders' ability to make transactions in our securities and subject us to additional trading restrictions. Our Common Stock and Warrants are currently listed on NYSE. We cannot assure that our securities will continue to be listed on the NYSE. In order to continue listing our securities on the NYSE, we are will be required to maintain certain financial, distribution and stock price levels. Generally, we are will be required to maintain a minimum amount in of stockholders' equity. If the NYSE delists our securities from trading on its exchange for failure to meet the exchange's continued listing standards or otherwise, and we are not able to list our securities on another national securities exchange, our securities could be quoted on an over- the- counter market, but no assurance of this can be given. If this were to occur, we and our stockholders could face significant material adverse consequences including: • a limited availability of market quotations for our securities; • reduced liquidity for our securities; • a determination that our Common Stock is a “ penny stock ” which will require brokers trading in our Common Stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities; • a limited amount of news and analyst coverage; and • a decreased ability to issue additional securities or obtain additional financing in the future. The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as “ covered securities. ” Since our Common Stock and Warrants are listed on the NYSE, they are covered securities. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. Further, if we were no longer listed on the NYSE, our securities would not be covered securities, and we would be subject to regulation in each state in which we offer our securities. Future issuances of debt securities and equity securities may adversely affect us, including the market price of Common Stock and may be dilutive to existing stockholders. There is no assurance that we will not incur debt or issue equity ranking senior to Common Stock. Those securities will generally have priority upon liquidation. Such securities also may be governed by an indenture or other instrument containing covenants restricting their operating flexibility. Additionally, any convertible or exchangeable securities that the Company issues in the future may have rights, preferences and privileges more favorable than those of Common Stock. Separately, additional financing may not be available on favorable terms, or at all. Because our decision to issue debt or equity in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. As a result, future capital -raising efforts may reduce the market price of Common Stock and be dilutive to existing stockholders. We do not intend to pay cash dividends for the foreseeable future. We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in future agreements and financing instruments, business prospects and such other factors as our board of directors deems relevant. The JOBS Act permits “ emerging growth companies ” like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies. We qualify as an “ emerging growth company ” as defined in Section 2 (a) (19) of the Securities Act, as modified by the JOBS Act. As

such, we take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes- Oxley Act, (ii) the exemptions from say- on- pay, say- on- frequency and say- on- golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, our stockholders may not have access to certain information they deem important. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year (a) following the fifth anniversary of our initial public offering, (b) in which we have total annual gross revenue of at least \$ 1. 235 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of the Common Stock and Warrants that are held by non- affiliates exceeds \$ 700 million as of the last business day of our prior second fiscal quarter, and (ii) the date on which we have issued more than \$ 1. 0 billion in non- convertible debt during the prior three- year period. In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7 (a) (2) (B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non- emerging growth companies, but any such election to opt out is irrevocable. We have elected to avail ourselves of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used. We cannot predict if investors will find our Common Stock and Warrants less attractive because we will rely on these exemptions. If some investors find our Common Stock and Warrants less attractive as a result, there may be a less active trading market for our Common Stock and Warrants and more stock price volatility. Delaware law and our certificate of incorporation and bylaws contain certain provisions, including anti- takeover provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable. The certificate of incorporation, bylaws and the DGCL contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our Common Stock, and therefore depress the trading price of Common Stock. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of our board of directors or taking other corporate actions, including effecting changes in our management. Among other things, the certificate of incorporation and bylaws include provisions regarding: • a classified board of directors with staggered, three- year terms; • prevent stockholders from acting by written consent; • limit the ability of stockholders to amend our certificate of incorporation; • limit the ability of stockholders to remove directors; • prevent stockholders from calling special meetings of stockholders; • the ability of the board of directors to issue shares of preferred stock, including “ blank check ” preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder; • the certificate of incorporation prohibits cumulative voting in the election of directors; • the limitation of the liability of, and the indemnification of, our directors and officers; • the ability of the board of directors to amend the bylaws; and • advance notice procedures with which stockholders must comply to nominate candidates to the board of directors or to propose matters to be acted upon at a stockholders’ meeting. These provisions, alone or together, could discourage, delay or prevent hostile takeovers and changes in control, including transactions in which the acquirer may offer a premium price for our Common Stock and Warrants, or changes in our board of directors or management. In addition, our Incentive Plan provides for accelerated vesting of awards that are assumed or substituted in connection with a change in control of the Company as a result of the change in control if a participant experiences a qualifying termination within two years following the change in control, which could discourage, delay or prevent a merger or acquisition at a premium price. The provisions of the certificate of incorporation requiring exclusive forum in the Court of Chancery of the State of Delaware for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers. The certificate of incorporation provides that, unless we select or consent in writing to the selection of an alternative forum, to the fullest extent permitted by the applicable law: (a) the sole and exclusive forum for any complaint asserting any internal corporate claims, to the fullest extent permitted by law, and subject to applicable jurisdictional requirements, shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have, or declines to accept, jurisdiction, another state court or a federal court located within the State of Delaware); and (b) the sole and exclusive forum for any complaint asserting a cause of action arising under the Securities Act of 1933, to the fullest extent permitted by law, shall be the federal district courts of the United States of America. For purposes of the foregoing, “ internal corporate claims ” means claims, including claims in the right of the Company that are based upon a violation of a duty by a current or former director, officer, employee or stockholder in such capacity, or as to which the DGCL confers jurisdiction upon the Court of Chancery. Any person or entity purchasing or otherwise acquiring any interest in any shares of Common Stock will be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the certificate of incorporation’ s exclusive forum provision (an “ FSC Enforcement Action ”), and (ii) having service of process made upon such holder of Common Stock in any such FSC Enforcement Action by service upon such holder of Common Stock’ s counsel in such action as agent for such holder of Common Stock. These provisions may have the effect of discouraging lawsuits against our directors and officers. 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, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in the certificate of incorporation to be inapplicable or unenforceable in such action.