

## Risk Factors Comparison 2025-03-05 to 2024-02-29 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

Our business is subject to a number of risks and uncertainties that are summarized below. The below summary of risk factors should be read together with the more detailed discussion of risks set forth following this section. Risks Relating to Our Business • ~~our proprietary brand offerings expose us to various risks;~~ • competitive industry pressures ; • **expenses and risks associated with our restructuring activities** ; • long- lived assets and inventories represent a significant portion of our total assets and we may be required to record impairments or write- downs in future periods; • if we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected; • the risk of damage to, loss of, or theft of our inventory; • manufacturing risks ~~as a result of recent acquisitions;~~ • **expenses and risks associated with our restructuring activities**; • the risk that adverse weather may impact our peat harvest; • the risk of product defects ; • **our proprietary brand offerings expose us to various risks** ; • our ability to keep pace with technological advances; • **the costs of potential tariffs or a global trade war**; • increased prices and inflation could negatively impact our margin performance and our financial results ; • ~~acquisitions, other strategic alliances and investments could result in operating difficulties, dilution and other harmful consequences that may adversely impact our business and results of operations;~~ • our commitments to long- term leases and our ability to renew or exit our leases; • the costs and risks of operating internationally; • our ability to comply with environmental regulations; • interruptions in our supply chain; • ~~general economic and/or industry and financial conditions, specifically in the United States and Canada;~~ • increasing scrutiny, costs and compliance with environmental, social and governance practices; • the impact of climate change on our facilities and operations ; • ~~the costs of being a public company~~; • limitations and possible failures of our internal control systems; • our ability to maintain effective internal control over financial reporting; • ~~the adverse effects of public health epidemics, including the COVID-19 pandemic, on our business, results of operations and financial operations;~~ • damage to our reputation could have an adverse effect on our business; • our marketing activities may not be successful; • a disruption or breach of our information technology systems; • potential inaccuracies in our estimates and assumptions relied upon in preparing consolidated financial statements; • **acquisitions, the other costs of potential tariffs strategic alliances and investments could result in operating difficulties, dilution and other harmful consequences that may adversely impact or our a global trade war business and results of operations** ; • possible difficulties in raising sufficient capital to fund our operations; and • the potential for product liability lawsuits. Risks Relating to Our Indebtedness • significant risks associated with our outstanding and future indebtedness of certain of our subsidiaries; • our ability to make our debt service payments pursuant to the Credit Facilities; and • restrictions imposed by our Credit Facilities, including on our ability to sell products directly to the cannabis industry. Risks Relating to Third Parties • ~~we rely on a limited base of suppliers for certain products, which may result in disruptions to our business;~~ • ~~if our suppliers are unable to source raw materials or the prices of raw materials increase, this may adversely affect our results of operations;~~ and • ~~as our suppliers sell directly into the retail market that we conduct our current or future business in,~~ **or our customers manufacture and sell competitive products**, we may face increased competition ; • **disruption in our global supply chain or vendor relationships may make sourcing more difficult; • a significant interruption in the operation of our or our suppliers' facilities could impact our capacity to produce products and service our customers, which could adversely affect revenues and earnings; and • if our suppliers are unable to source raw materials or the prices of raw materials increase, this may adversely affect our results of operations**. Risks Relating to the Cannabis Industry • federal and state regulations pertaining to the use and cultivation of cannabis may adversely affect our business; • our products are subject to varying, inconsistent and rapidly changing laws; • we are subject to a number of risks, directly and indirectly, because cannabis is illegal under federal law; • our indirect involvement in the cannabis industry could adversely affect our public reputation; and • businesses involved in the cannabis industry are subject to a variety of laws and regulations related to money laundering, financial recordkeeping and proceeds of crimes. Risks Relating to Other Regulations • we may be restricted by certain state and other regulations pertaining to the use of certain ingredients in **growing grow** media and plant nutrients, including the use of pesticides; and • we may be restricted by certain U. S., state and foreign laws regarding how we collect, store and process personal information. Risks Relating to Our Intellectual Property • we may not be able to adequately obtain, maintain, protect or enforce our intellectual property and other proprietary rights; • we may need to rely on licenses to proprietary technologies, which could be difficult or expensive to obtain; and • we may become subject to costly intellectual property disputes that require us to divert resources from our usual operations. Risks Relating to Our Capital Stock • we may incur indebtedness or issue capital stock that ranks senior or equally to our common stock with certain liquidation preference and other rights, which may dilute our stockholders' ownership interest; • certain provisions in the Credit Facilities, our corporate charter documents and under Delaware law could make an acquisition of our company more difficult and may prevent attempts by our stockholders to replace or remove current management or to obtain a favorable judicial forum for disputes with directors, officers or employees; • ~~risks related to us being a holding company;~~ • our ability to meet the continued listing standards of The Nasdaq **Capital Global Select** Market; and • the market price of our common stock may be volatile. Our operations and financial results are subject to various risks and uncertainties including those described below. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10- K, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below materialize, our business, financial

condition and results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline. ~~sheet as of December 31, 2024 includes \$ 249.0 million of intangible assets, net, \$ 50.6 million of inventories, \$ 37.5 million of property, plant, and equipment, net, and \$ 42.9 million of operating lease right-of-use assets. During the years ended December 31, 2024 and 2023, we recorded significant allowances for obsolete inventory and restructuring charges associated with inventory write-downs. Long-lived assets, such as intangible assets, property, plant and equipment and operating lease right-of-use assets are reviewed for impairment whenever events, changes or circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If we were to conclude that a future write-down of our long-lived assets is necessary, we would have to record the appropriate charge, which could result in a material adverse effect on our results of operations. Inventories consist of manufactured goods, goods acquired for resale, and materials consumed in business operations. Inventories are stated at the lower of cost or net realizable value, and we maintain an allowance for excess and obsolete inventory. The estimate for excess and obsolete inventory is based upon assumptions about current and anticipated demand, customer preferences, business strategies, and market conditions. We have experienced sales declines, which we believe are primarily a result of agricultural oversupply impacting our market. The extent to which these market conditions will continue to impact our business, results of operations, and cash flows are uncertain and difficult to predict at this time, and may result in lower margins, inventory write-downs, accounts receivable allowances, and impairments of our long-lived assets which could have a material adverse effect on our business, financial condition and results of operations.~~ If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected. Our business requires us to manage inventory effectively. We depend on our forecasts of demand for, and popularity of, various products to make purchase decisions and to manage our inventory of stock-keeping units. Demand for products, however, can change significantly between the time inventory or components are ordered and the date of sale. Demand may be affected by seasonality, new product launches, rapid changes in product cycles and pricing, product defects, promotions, changes in consumer spending patterns, changes in consumer tastes with respect to our products and other factors, and our consumers may not purchase products in the quantities that we expect. It may be difficult to accurately forecast demand and determine appropriate levels of product or components. From time to time in the normal course of business, we enter into agreements with our suppliers pursuant to which we are required to purchase minimum amounts of inventory over a defined time period. We receive favorable pricing terms in exchange for this arrangement, but such agreements could lead to an oversupply of inventory. If we fail to manage our inventory effectively or negotiate favorable credit terms with third-party suppliers, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, if we are required to lower sale prices in order to reduce inventory level or to pay higher prices to our suppliers, our profit margins might be negatively affected. Any of the above may materially and adversely affect our business, financial condition and results of operations. Our inventory is vulnerable to damage or loss caused by accidents or natural disasters, and we face the risk of theft of our products from inventory or during shipment. Our inventory is stored at warehouses in the United States, Canada and Spain. Our inventory is vulnerable to accidents, fire, flood, earthquakes, and similar events that may impact our facilities. Any damage to or loss of all or a significant portion of our inventory could cause significant delays in shipment of goods to our customers, resulting in negative publicity about and diminished customer confidence in our business. In addition, we may experience theft of our products while they are being held in inventory, or during the course of their shipment to other warehouses within our network, or during shipment to our customers. We maintain insurance to cover losses resulting from theft. Nevertheless, if our security measures fail, losses exceed our insurance coverage or are not otherwise covered by insurance, or we are not able to maintain insurance at a reasonable cost, we could incur significant losses from damage, loss or theft, any of which could substantially harm our business and results of operations. **We As a result of acquisitions, we are exposed to manufacturing risks that could adversely affect our business and results of operations. We are exposed to In connection with our 2021 acquisitions, we have acquired several manufacturing facilities. Expansion into manufacturing exposes us to all of the risks entailed in manufacturing activities** generally and there is no assurance that our manufacturing activities will not cause us to incur material unexpected costs or liabilities. Our manufacturing processes may experience problems including equipment malfunctions, facility contamination, labor problems, raw material shortages or contamination, natural disasters, power outages, terrorist activities, safety and certification issues, or disruptions in the operations of our suppliers which could result in product defects, product recalls, product liability claims and insufficient inventory or supply of product for our customers. For example, the nutrient and fertilizer manufacturing operations may expose us to handling potentially hazardous or explosive chemicals. We cannot eliminate the risk of accidental contamination or injury from such chemicals, and any accident caused by such chemicals could result in cleanup costs, diversion of management attention and potential liability, all of which could affect our reputation, business and results of operations. Any defects in the products we manufacture may result in delayed shipments to customers or reduced or canceled customer orders. If these defects or deficiencies are significant, our business reputation may be damaged. The failure of the products that we manufacture or of our manufacturing processes or facilities may subject us to regulatory enforcement, fines or penalties and, in some cases, require us to shut down, temporarily halt operations or incur considerable expense to correct a manufacturing process or facility. In addition, these defects may result in liability claims against us, expose us to liability to pay for the recall or remanufacture of a product or adversely affect product sales or our reputation. The storage, handling, production and disposal of materials in our manufacturing facilities may expose us to liability under environmental laws and regulations. Potentially significant expenditures could also be required to comply with evolving interpretations of existing environmental, health and safety laws and regulations or any new such laws and regulations (including **concerns about laws and regulation related to global climate change and its impact**) that may be adopted in the future. Costs associated with failure to comply with such laws and regulations could have an adverse effect on our business. **Our restructuring activities may increase our expenses and cash expenditures, and may not have the intended effects. In connection with our restructuring plans, we have implemented and may continue to**

implement a number of restructuring initiatives designed to streamline our operations, reduce costs, and improve efficiencies during the industry recession. See "Item 7. Management's Discussion and Analysis of Financial Condition And Results of Operations – Market Conditions" below for more information regarding our restructuring plans. Restructuring actions typically result in charges and cash expenditures that may adversely affect financial results for one or more periods, and efforts to minimize or eliminate such expenditures may not be successful. Moreover, restructuring actions can create unanticipated consequences, such as instability or distraction among our workforce or among management. We cannot assure you that any restructuring plans or any other cost-saving initiatives we may undertake will be successful. A variety of factors, many of which are beyond our control, could cause us not to realize expected cost savings, including, but not limited to, unexpected costs incurred in connection with consolidating and / or closing certain operations or asset write-downs, delays or difficulty terminating leases, unexpected integration challenges, unintended attrition and temporary instability. Any of these factors could hamper our ability to grow and meet customer demand in future periods. If we are unable to structure our operations in light of evolving market conditions, this could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our peat bogs are susceptible to sudden changes in weather and the impacts of climate change. We maintain a peat moss harvesting operation in Alberta, Canada. Peat bogs rely on predictable weather; sun and wind are required to dry the top surface, and too much rain can cause compaction and impede the ability of vacuum harvesters to collect the peat. Peat must be harvested during a narrow window of three to six-five months during the summer / fall, and if summer is late or especially wet, this can have an adverse impact on the year's harvest. Conversely, if temperatures are too high, this can cause an increase in peat decomposition rates, and extended droughts can aggravate such decomposition. Any of these risks may be further exacerbated by climate change and the heightened risk of forest fires. If our peat bogs are damaged or our peat harvest is less than anticipated for one or more seasons, this could have an adverse impact on our business and results of operations. A significant product defect or product recall could materially and adversely affect our brand image, causing a decline in our sales and profitability, and could reduce or deplete our financial resources. Provided we are successful in developing and selling our products, any product defect could materially harm our brand image and could force us to conduct a product recall. This could damage our relationships with our customers. A product recall would be particularly harmful to us because it could potentially consume significant financial and administrative resources to effectively manage a product recall and it would detract management's attention from implementing our core business strategies. As a result, a significant product defect or product recall could cause a decline in our sales and profitability and could reduce or deplete our financial resources.

Our proprietary brand offerings expose us to various risks. We have invested in acquisition and development of our proprietary brand offerings. Although we believe that our proprietary brand products offer value to our customers and generally provide us with higher gross margins than comparable third-party branded products we sell, the expansion of our proprietary brand offerings also subjects us to certain specific risks in addition to those discussed elsewhere in this section, such as: • potential mandatory or voluntary product recalls; • supply chain disruptions; • our ability to successfully obtain, maintain, protect and enforce our intellectual property and proprietary rights (including defending against counterfeit, knock offs, grey-market, infringing or otherwise unauthorized goods); and • our ability to successfully navigate and avoid claims related to the proprietary rights of third parties. An increase in sales of our proprietary brands may also adversely affect our sales of our vendors' products, which may, in turn, adversely affect our relationship with our vendors. Our failure to adequately address some or all of these risks could have a material adverse effect on our business, results of operations and financial condition.

Our competitors and potential competitors may develop tariffs or a global trade war could increase the cost of our products, which could adversely impact the competitiveness of and technologies that are more effective or commercially attractive than our products. Our products compete against national and regional products. Our financial results. The United States has imposed tariffs on certain imports from China, including on lighting and private label environmental control equipment manufactured in China, as well as tariffs on steel and aluminum products produced in by various suppliers, many of which are established companies that provide products that perform functions similar to our products. Our competitors may develop or market products that are more effective or commercially attractive than our current or future products. Some of our competitors have substantially greater financial, operational, marketing and technical resources than we do. Moreover, some of these competitors may offer a broader array of products and sell their other countries products at prices lower than ours, and may have greater name recognition. In addition, we may face competition the United States announced tariffs on products from new entrants Canada and Mexico before pausing such tariffs prior to going into effect our field. If the U.S. administration imposes additional tariffs, increased competition may lead to reduced prices and / or margins for or if additional tariffs or trade restrictions are implemented by the United States or other countries the cost of our products we sell. We may not have the financial resources, relationships with key suppliers, technical expertise or marketing, distribution or support capabilities to compete successfully in the future. We may not successfully develop new products or improve existing products or maintain our effectiveness in reaching consumers through rapidly evolving communication vehicles. Our future success depends, in part, upon our ability to improve our existing products and to develop, manufacture and market new products to meet evolving consumer needs. We cannot be certain that we will be successful in China developing, manufacturing and imported into the United States marketing new products or product innovations which satisfy consumer needs or achieve market acceptance, or that we will develop, manufacture and market new products or product innovations in a timely manner. If we fail to successfully develop, manufacture and market new products or product innovations, or if we fail to reach existing and potential consumers, our or other countries could increase ability to maintain or grow our market share may be adversely affected, which in turn could materially adversely affect our business, financial condition and results. .... Failure to properly register and maintain these the registrations demand for these products could result in significant penalties, additional. ....

indicate that the carrying amount of an **and** asset or asset group may not be recoverable. If we were to conclude that a future write-down of our long-lived assets is necessary, we would have to record the appropriate charge, which could result in a material adverse effect on our **business and** results of operations. **Furthermore** inventories consist of manufactured goods, goods acquired **tariffs on products imported into the United States from Canada, including relating to our peat business, could adversely affect the demand** for resale these products. In addition, **political tensions between and among the United States and China and certain other countries have escalated in recent years. Rising political tensions could reduce trade, investment and other economic activities between the two major economies. We cannot predict whether the countries in which our components and materials consumed are sourced, or may be sourced in the future, will be subject to new or additional tariffs and trade restrictions imposed by the United States or other foreign governments, including the likelihood, type, effect, or magnitude of any such restrictions and their overall impact on our business and our operations - operating results.** Inventories are stated at **We also may be unable to quickly and effectively react to such actions to mitigate the impact to our business. The tariffs described above, the adoption and expansion of trade restrictions, the occurrence of a trade war, or the other lower of governmental action related to tariffs, trade agreements or related policies have the potential to adversely impact our supply chain and access to equipment, and our costs and ability to economically serve certain markets. Any such cost increases or decreases in availability could slow or our net realizable value growth and cause our financial results and operational metrics to suffer. There is current uncertainty about the future relationship between the United States and other countries with respect to trade policies, taxes, government regulations, and tariffs and we maintain cannot predict whether, an and to what extent allowance for excess and obsolete inventory. The estimate for excess and obsolete inventory is based upon assumptions about current and anticipated demand, U customer preferences, business strategies, and market conditions. We have experienced sales declines. S. trade policies will change in the future, including as which we believe are primarily a result of agricultural oversupply impacting our market changes by the incoming U.** The extent to which **S. presidential administration. Any of these factors** market conditions will continue to impact our business, results of operations, and cash flows are uncertain and difficult to predict at this time, and may result in lower margins, inventory write-downs, accounts receivable allowances, and impairments of our long-lived assets which could have a material adverse effect on our business, **prospects,** financial condition and results of operations. **If we fail to manage our..... could reduce or deplete our financial resources.** Increased prices and inflation could negatively impact our margin performance and our financial results. **We are exposed to Increased-increased** inflation, including rising **and fluctuating** prices for raw materials, parts and components, freight, packaging, labor, and energy increases, **which impact** the costs to manufacture and distribute our products, and we may be unable to pass these costs on to our customers. **Additionally, we are exposed to fluctuations in other costs such as packaging, freight, labor and energy prices.** If inflation in these costs increases beyond our ability to control for them through measures such as implementing operating efficiencies, we may not be able to increase prices to sufficiently offset the effect of various cost increases without negatively impacting customer demand, thereby negatively impacting our margin performance and results of operations. **Acquisitions, other strategic alliances and investments....., anticipated benefits of such acquisitions.** We occupy many of our facilities under long-term non-cancellable leases, and we may be unable to renew, sublease or terminate and exit our leases. Many of our manufacturing facilities and distribution centers are located on leased premises subject to non-cancellable leases. Typically, our leases have initial terms ranging from three to twelve years, with options to renew for specified periods of time. We believe that our future leases will likely also be long-term and non-cancellable and have similar renewal options. If we close or stop fully utilizing a facility, we will most likely remain obligated to perform under the applicable lease, which would include, among other things, making the base rent payments and paying insurance, taxes and other expenses on the leased property for the remainder of the lease term. In addition, we have executed sublease and / or third party logistics agreements at certain of our facilities. We may choose to sublease additional space, close certain operations and / or terminate lease agreements. We may remain liable for sublease obligations if the sublessee does not perform, **or incur additional liabilities as a result of our third party logistics agreements.** Our inability to sublease excess space, terminate a lease when we stop fully utilizing a facility or exit a market can have a significant adverse impact on our financial condition, operating results and cash flows. In addition, at the end of the lease term and any renewal period for a facility, we may be unable to renew the lease without substantial additional cost, if at all. If we are unable to renew our facility leases, we may close or relocate a facility, which could subject us to construction and other costs and risks, which in turn could have a material adverse effect on our business and operating results. Further, we may not be able to secure a replacement facility in a location that is as commercially viable. Having to close a facility, even briefly to relocate, could reduce the sales that such facility would have contributed to our revenues. We have experienced delays in relocating certain of our facilities as a result of issues impacting the availability of transportation and the provision of other services necessary to open the new location, and may continue to experience similar delays in the future. A disruption in the operations of our freight carriers, higher shipping costs or shipping delays could disrupt our supply chain and could negatively impact our margin performance and our financial results. We are dependent on commercial freight carriers to deliver our products. If the operations of these carriers are disrupted for any reason, we may be unable to timely deliver our products to our customers who may choose alternative products causing our net revenues and gross margin to decline. When fuel costs increase, our freight costs generally do so as well. In addition, we operate abroad and international sales carry higher shipping costs which could negatively impact our gross margin and results of operations. If freight and energy costs materially increase and we are unable to successfully pass all or significant portions of the increase along to our customers, or we cannot otherwise offset such increases in our cost of net revenues, our gross margin and financial results could be adversely affected. Our international operations make us susceptible to the costs and risks associated with operating internationally. We operate distribution centers in Canada and Spain and we source and sell products globally. **We also use a supply chain management team in China.** We are subject to risks associated with operating in foreign countries, including: • fluctuations in currency exchange rates; • limitations

on the remittance of dividends and other payments by foreign subsidiaries; • additional costs of compliance with local regulations; • additional costs associated with fuel prices and freight / import expenses; • **additional costs of tariffs;** • in certain countries, historically higher rates of inflation than in the United States; • changes in the economic conditions or consumer preferences or demand for our products in these markets; • restrictive actions by multi-national governing bodies, foreign governments or subdivisions thereof; • changes in foreign labor laws and regulations affecting our ability to hire and retain employees; • changes in U. S. and foreign laws regarding trade and investment; • less robust protection of our intellectual property ~~and proprietary~~ rights under foreign laws; • difficulty in obtaining distribution and support for our products; and • our ability to collect trade receivables in foreign jurisdictions. In addition, our operations outside the United States are subject to the risk of new and different legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations and potentially adverse tax consequences. The costs associated with operating our continuing international business could adversely affect our results of operations, financial condition and cash flows in the future. Government laws and regulations, including environmental laws and regulations, could result in material costs or otherwise adversely affect our financial condition and results of operations. The manufacturing, composition, packaging, storage, distribution and labeling of our products and the manner in which our business operations are conducted must comply with an extensive array of federal, state and foreign laws and regulations. If we are not successful in complying with the requirements of all such regulations, we could be fined or other actions could be taken against us by the applicable governing body, including the possibility of a required product recall. Any such regulatory action could adversely affect our financial condition and results of operations. It is also possible that governments and regulatory agencies will increase regulation, including the adoption of further regulations relating to the transportation, storage or use of certain ingredients, to enhance homeland security or protect the environment and such increased regulation could negatively impact our ability to obtain raw materials, components and / or finished goods or could result in increased costs. In particular, legislators, consumers, investors and other stakeholders are increasingly focusing on climate change, petroleum usage, waste, recycled material content, and other sustainability concerns pertaining to companies' ESG policies. Concern over climate change may result in new or increased legal and regulatory requirements to reduce or mitigate negative impacts to the environment or may result in new reporting and disclosure requirements. In the event that such regulations result in increased product or administrative costs, we may not be in a position to increase selling prices, and therefore an increase in costs could have a material adverse effect on our business, financial condition and results of operations. Some of our products have compositions that are controlled by various state, federal and international laws and regulations that are subject to change. We are required to comply with these laws and regulations and we seek to (i) anticipate regulatory developments that could impact our ability to continue to produce and market our products and (ii) maintain product formulations that comply with such laws and regulations. There can be no assurance that we will not be required to alter the composition and / or labelling of one or more of our products in a way that will have an adverse effect upon the product's efficacy or marketability. A delay or other inability of the Company to complete product research and development and successfully reformulate and / or relabel our products in response to any such regulatory requirements could have a material adverse effect on our business, financial condition and results of operations. We are subject to numerous environmental laws and regulations that impose various environmental controls on our business operations, including, among other things, the discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of solid and hazardous wastes and the investigation and remediation of soil and groundwater affected by hazardous substances. Such laws and regulations may otherwise relate to various health and safety matters that impose burdens upon our operations. These laws and regulations also impose strict, retroactive and joint and several liability for the costs of, and damages resulting from, cleaning up current sites, past spills, disposals and other releases of hazardous substances. ~~The We believe that our expenditures related to environmental matters have not had, and are not currently expected to have, a material adverse effect on our financial condition, results of operations or cash flows. However, the~~ environmental laws under which we operate are complicated, often become increasingly more stringent. Accordingly, there can be no assurance that we will not be required to incur additional expenditures to remain in or to achieve compliance with environmental laws in the future or that any such additional expenditures will not have a material adverse effect on our business, financial condition or results of operations. **Our products and operations may be subject to increased regulatory and environmental scrutiny in jurisdictions in which we do business. For example, we are subject to regulations relating to our harvesting of peat moss in Canada, which has come under increasing regulatory and environmental scrutiny at the federal, provincial and territorial levels. The remediation of the Company's peat bog sites is under provincial oversight. Failure by the Company to comply with such oversight could result in fines, current or future loss of peat bog leases, or other penalties. Additionally, approximately 14 %, based on acreage, of our peat bog sites are currently deemed non-compliant by environmental and legal authorities, and at this time we are unable to operate or harvest at these sites. We have contracted with a third-party engineering company in order to regain compliance, but there is no guarantee that these efforts will be successful. Failure by the Company to regain compliance could have a material adverse effect on our business, financial conditions and results of operations.** Additional laws and regulations require that we carefully manage our supply chain for the production, distribution and sale of goods. Our failure to comply with any of these regulations or our inability to adequately predict the manner in which these local regulations are interpreted and applied to our business by the applicable enforcement agencies could have a material adverse effect on our business, financial condition and results of operations. Failure to optimize our supply chain or disruption of our supply chain could have an adverse effect on our business, financial condition and results of operations. Our ability to make, move and sell products in coordination with our suppliers is critical to our success. Our inability to maintain sufficient internal production capacity or our inability to enter into co-packing arrangements on terms that are beneficial to us could have an adverse effect on our business. Failure to adequately handle increasing production costs and complexity, turnover of personnel, or production capability and efficiency issues could materially impact our ability to cost effectively produce our products and meet customer

demand. Additionally, damage or disruption to our production or distribution capabilities resulting from weather, any potential effects of climate change, natural disaster, disease, crop spoilage, fire or explosion, flooding, terrorism, pandemics, strikes, repairs or enhancements at our facilities, or other reasons, could impair our ability to produce or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, and may require additional resources to restore our supply chain. ~~Negative economic and /or industry conditions, specifically in the United States and Canada, could adversely affect our business. Uncertain global economic and /or industry conditions could adversely affect our business. Negative global economic trends, particularly in the United States and Canada, such as decreased consumer and business spending, high unemployment levels, reduced rates of home ownership and housing starts, high foreclosure rates and declining consumer and business confidence, pose challenges to our business and could result in declining revenues, profitability and cash flow. Although we continue to devote significant resources to support our brands, unfavorable economic and /or industry conditions may negatively affect demand for our products. Our most price-sensitive customers may trade down to lower priced products during challenging economic times or if current economic conditions worsen, while other customers may reduce discretionary spending during periods of economic uncertainty, each of which could reduce sales volumes of our products in favor of our competitors' products or result in a shift in our product mix from higher margin to lower margin products.~~ Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks. Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their ESG practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, climate change, health and safety, supply chain management, diversity, labor conditions and human rights, both in our own operations and in our supply chain . **Further, there is an increasing number of federal and state- level anti- ESG initiatives in the United States that may conflict with other regulatory requirements or our various stakeholders' expectations**. Increased ESG- related compliance costs for us as well as among our suppliers, vendors and various other parties within our supply chain could result in material increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, access to capital, and our stock price. Climate change may impact the availability of our facilities, we may incur substantial costs to comply with climate change legislation and related regulatory initiatives, and weather conditions could adversely impact financial results. Changing weather patterns and the increase in frequency of weather events such as forest fires, flooding, hurricanes and tornadoes could cause disruptions or the complete loss of our facilities. In addition, climate change concerns, and changes in the regulation of such concerns, including greenhouse gas emissions, could also subject us to additional costs and restrictions, including increased energy and raw materials costs which could negatively impact our financial condition and results of operations. The effects of climate change can have an adverse effect not only to our operations, but also that of our suppliers and customers, and can lead to increased regulations and changes in consumer preferences, which could **also** adversely affect our business, results of operations, and financial condition. Our garden center customers and certain of our manufacturing facilities can be heavily impacted by weather conditions. For example, periods of abnormally wet or dry weather can adversely impact the sale of certain products, while increasing demand for other products with the overall impact to us difficult to predict. Additionally, our outdoor harvesting and other manufacturing operations may be impacted by adverse weather conditions or changing weather patterns which may adversely impact our ability to produce and sell our products. **If we fail** ~~We have incurred and will continue to incur increased costs as a result~~ **maintain effective internal controls over financial reporting or fail to comply with other regulations, investors may lose confidence in the accuracy and completeness of being our financial reporting, and the price of our common stock may be adversely affected. As** a public company ~~–We became a public company on December 9, 2020. As a public company, we have incurred and will continue to incur significant legal, accounting, Sarbanes- Oxley compliance, insurance and other expenses that we did~~ **would** not incur as a private company. ~~For example, we have incurred and will continue to incur increased legal and accounting costs as a result of being subject to the information and reporting requirements of the Exchange Act, and other federal securities laws. The costs of preparing and filing periodic and other reports, proxy statements and other information with the SEC and furnishing audited reports to stockholders, will cause significant increases in our expenses than if we had remained privately- held. The cost of being a public company diverts resources that might otherwise have been used to develop our business, which could have a material adverse effect on our company. As a public company, we are required to file with the SEC annual and quarterly information and other reports pursuant to the Exchange Act. We are also required to ensure that we have the ability to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis. In addition, the Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the Nasdaq **Capital Global Select** Market and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements .~~ **Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly. These matters require a significant commitment of additional resources and many of our competitors already comply with these obligations.** We may not be successful in complying with these obligations and the significant commitment of resources required for complying with them could have a material adverse effect on our business, financial condition and results of operations. ~~These laws and regulations also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our committees of our board of directors or as our executive officers. In~~

addition, if we fail to implement the requirements with respect to our internal accounting and audit functions, our ability to report our results of operations on a timely and accurate basis could be impaired and we could suffer adverse regulatory consequences or violate applicable listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements, which could have a material adverse effect on our business, financial condition and results of operations. If we fail to maintain an effective internal control environment or to comply with the numerous legal and regulatory requirements imposed on public companies, we could make material errors in, and be required to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC. We cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. If we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, as applicable, fines, sanctions and other regulatory action and potentially civil litigation ~~common stock may be adversely affected~~. We are required to establish and maintain appropriate internal controls over financial reporting. In the past, our management **has** identified weaknesses in our internal controls. Although our management believes such weaknesses have been remediated, our internal control over financial reporting may still or could in the future have weaknesses and conditions that could require correction or remediation **and result in additional costs**, the disclosure of which may have an adverse impact **on** the confidence of investors and the price of our common stock. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management's assessment of our internal controls over financial reporting may have an adverse impact on the price of our common stock. We are a "smaller reporting company" and, because we have opted to use the reduced reporting requirements available to us, certain investors may find investing in our securities less attractive. We are a "smaller reporting company" under the SEC's disclosure rules, and as such, we are permitted to comply with scaled-back disclosure obligations in our SEC filings compared to other issuers, including with respect to disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We have elected to adopt certain of the accommodations available to smaller reporting companies. Until we cease to be a smaller reporting company, the scaled-back disclosure in our SEC filings will result in less information about our company being available than for other public companies. If investors consider our common stock less attractive as a result of our election to use the scaled-back disclosure permitted for smaller reporting companies, there may be a less active trading market for our common stock and our share price may be more volatile. **If we fail to maintain effective internal..... through other means at acceptable terms.** Damage to our reputation could have an adverse effect on our business. Maintaining our strong reputation is a key component in our success. Product recalls, any inability to ship, sell or transport our products, governmental investigations and other matters may harm our reputation and acceptance of our products, which may materially and adversely affect our business operations, decrease sales and increase costs. In addition, perceptions that the products we distribute and market are not safe could adversely affect us and contribute to the risk that we will be subjected to legal action. We distribute and market a variety of products, such as nutrients, and **growing-grow** media. On occasion, allegations or news reports may be made that some of these products have failed to perform up to expectations or have caused damage or injury to individuals or property. Public perception that the products we distribute or market are not safe could impair our reputation, involve us in litigation, damage our brand names and have a material adverse effect on our business. Our marketing activities may not be successful. Our advertising, consumer promotions and other marketing activities are intended to maintain, extend and expand our brand image. There can be no assurance that our marketing strategies will be effective or that the amount we spend in advertising activities will result in a corresponding increase in sales of our products. If our marketing initiatives are not successful, we will have incurred expenses without the benefit of higher revenues. Our operations may be impaired if our information technology systems, or those of our third-party vendors, fail to perform adequately or if we or our third-party vendors are the subject of a data breach or cyber-attack. We rely on information technology systems in order to conduct business, including communicating with employees and our distribution centers, ordering and managing materials from suppliers, selling and shipping products to retail customers and analyzing and reporting results of operations, as well as for storing sensitive, personal and other confidential information. While we have taken steps to ensure the security of our information technology systems, our security measures or those of our third-party vendors may not be effective and our or our third-party vendors' systems may nevertheless be vulnerable to computer viruses, security breaches and other disruptions from unauthorized users. If our or our third-party vendors' information technology systems are damaged or cease to be available or function properly for an extended period of time, whether as a result of a significant cyber incident or otherwise, our ability to communicate internally as well as with our customers **and vendors** could be significantly impaired, which may adversely impact our business. We may also have increased exposure to certain technology risks during integration of systems of acquired companies **to into** our existing platform. Additionally, the techniques used to obtain unauthorized, improper or illegal access to information technology **systems-resources** are constantly evolving, may be difficult to detect quickly and often are not recognized until after they have been launched against a target. We may be unable to anticipate these techniques, react in a timely manner or implement adequate preventative or remedial measures. Any operational failure or breach of security from these increasingly sophisticated cyber threats could lead to the loss or disclosure of both our and our customers' financial, product, and other confidential information, as well as personally identifiable information about our employees or customers, result in negative publicity and expensive and time-consuming regulatory or other legal proceedings, damage our relationships with our customers and have a material adverse effect on our business and reputation. In addition, we may incur significant costs and operational consequences in connection with investigating, mitigating, remediating, eliminating and putting in place additional tools and devices designed to prevent future actual or

perceived security incidents, as well as in connection with complying with any notification or other obligations resulting from ~~any a security incidents~~ **incident**. Because we do not control our third- party vendors, or the processing of data by our third- party vendors, our ability to monitor our third- party vendors' data security is limited and we cannot ensure the integrity or security of the measures they take to protect and prevent the loss of our or our consumers' data. As a result, we are subject to the risk that cyber- attacks on, or other security incidents affecting, our third- party vendors may adversely affect our business even if an attack or breach does not directly impact our systems. While we maintain cyber risk insurance, this insurance may not be sufficient to cover all losses from any breaches of our systems and does not extend to reputational damage or costs incurred to improve or strengthen systems against future threats or activity. Cyber risk insurance has also become more difficult and expensive to obtain, and we cannot be certain that our current level of insurance or the breadth of its terms and conditions will continue to be available on economically reasonable terms. The estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could prove inaccurate. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, the amounts of charges accrued by us and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We cannot assure, however, that our estimates, or the assumptions underlying them, will not change over time or otherwise prove inaccurate. Any potential litigation related to the estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could have a material adverse effect on our financial results, harm our business, and cause our share price to decline. ~~Potential tariffs or a global trade war could increase the cost of our products, which could adversely impact the competitiveness of our products and our financial results. Since 2018, the United States has imposed tariffs on certain imports from China, including on lighting and environmental control equipment manufactured in China. If the U. S. administration imposes additional tariffs, or if additional tariffs or trade restrictions are implemented by the United States or other countries the cost of our products manufactured in China and imported into the United States or other countries could increase, which in turn could adversely affect the demand for these products and have a material adverse effect on our business and results of operations.~~ Unanticipated changes in our tax provisions, the adoption of new tax legislation or exposure to additional tax liabilities could affect our profitability and cash flows. We are subject to income and other taxes in the United States federal jurisdiction and various local, state and foreign jurisdictions. Our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets (such as net operating losses and tax credits) and liabilities, changes in tax laws and the discovery of new information in the course of our tax return preparation process. In particular, the carrying value of deferred tax assets is dependent on our ability to generate future taxable income of the appropriate character in the relevant jurisdiction. From time to time, tax proposals are introduced or considered by the U. S. Congress or the legislative bodies in local, state and foreign jurisdictions that could also affect our tax rate, the carrying value of our deferred tax assets, or our tax liabilities. Our tax liabilities are also affected by the amounts we charge for inventory, services, licenses and funding. We are subject to ongoing tax audits in various jurisdictions. In connection with these audits (or future audits), tax authorities may disagree with our determinations and assess additional taxes. We regularly assess the likely outcomes of our audits in order to determine the appropriateness of our tax provision **and financial statements**. As a result, the ultimate resolution of our tax audits, changes in tax laws or tax rates, and the ability to utilize our deferred tax assets could materially affect our tax provision, net income and cash flows in future periods. We may be limited in our ability to utilize, or may not be able to utilize, net operating loss carryforwards to reduce our future tax liability. As of December 31, ~~2023~~ **2024**, we had U. S. federal net operating loss (" NOL") carryforwards of approximately \$ ~~153~~ **183** . ~~3~~ **8** million, the utilization of which may be limited annually due to certain change in ownership provisions of Section 382 of the Internal Revenue Code of 1986, as amended (the" Code"). Our federal NOL carryforwards will begin to expire in 2037. See Note ~~12~~ **13** - Income Taxes, in the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10- K for a further discussion of the carryforward of our NOLs. As of December 31, ~~2023~~ **2024**, we maintained a valuation allowance of approximately \$ ~~55~~ **75** . ~~7~~ **3** million on the majority of our domestic and foreign net deferred tax assets. An" ownership change" (generally defined as greater than 50- percentage- point cumulative changes in the equity ownership of certain stockholders over a rolling three- year period) under Section 382 of the Code may limit our ability to utilize fully our pre- change NOL carryforwards to reduce our taxable income in periods following the ownership change. In general, an ownership change would limit our ability to utilize NOL carryforwards to an amount equal to the aggregate value of our equity at the time of the ownership change multiplied by a specified tax- exempt interest rate, subject to increase by certain built- in gains. Similar provisions of state tax law may also apply to our state NOL carryforwards. In addition, future changes in our stock ownership, some of which may be beyond our control, could result in additional ownership changes under Section 382 of the Code. Acquisitions, other strategic alliances and investments could result in operating difficulties, dilution, and other harmful consequences that may adversely impact our business and results of operations. Acquisitions have been an important element of our overall corporate strategy, and these transactions entailed material investments by us that are material to our financial condition and results of operations. We may evaluate and enter into discussions regarding potential strategic transactions. The process of integrating an acquired company, business, or product has created, and will continue to create, unforeseen operating difficulties and expenditures. The areas where we face risks may include, but are not limited to: • diversion of management' s time and focus from operating our business to acquisition integration challenges; • failure to successfully further develop the acquired business or products; • implementation or remediation of controls, procedures and policies at the acquired company; • integration of the acquired company' s accounting, information technology (IT) systems, human resources and other administrative systems, and coordination of product, engineering and sales and marketing functions; • transition of operations, users and

customers onto our existing platforms; • reliance on the expertise of our strategic partners with respect to market development, sales, local regulatory compliance and other operational matters; • failure to obtain required approvals on a timely basis, if at all, from governmental authorities, or conditions placed upon approval, under competition and antitrust laws which could, among other things, delay or prevent us from completing a transaction, or otherwise restrict our ability to realize the expected financial or strategic goals of an acquisition; • in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries; • cultural challenges associated with integrating employees from the acquired company into our organization, and retention of employees from the businesses we acquire; • liability for or reputational harm from activities of the acquired company before the acquisition or from our strategic partners, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and • litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties. Our due diligence may fail to identify all liabilities associated with acquisitions and we may not assess the relative benefits and detriments of making an acquisition and may pay acquisition consideration exceeding the value of the acquired business. Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments or strategic alliances could cause us to fail to realize the anticipated benefits of such acquisitions, investments or alliances, incur unanticipated liabilities, and harm our business generally. Our acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or impairment of goodwill, intangible assets and purchased long-lived assets, and restructuring charges, any of which could harm our financial condition or results of operations and cash flows. There can be no assurance that we will be able to identify appropriate acquisition targets or potential strategic transactions, successfully execute such potential transactions, or successfully integrate the business of acquired companies to realize the full, anticipated benefits of such acquisitions. If we need additional capital to fund our operations, we may not be able to obtain sufficient capital and may be forced to limit the scope of our operations. We may experience increased capital needs and accordingly, we may not have sufficient capital to fund our future operations without additional capital investments. There can be no assurance that additional capital will be available to us to fund our operations and the execution of our strategies. If product liability lawsuits are brought against us, we may incur substantial liabilities. We face a potential risk of product liability as a result of any of the products that we offer for sale. For example, we may be sued if any product we sell allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in: (i) decreased demand for products that we may offer for sale; (ii) injury to our reputation; (iii) costs to defend the related litigation; (iv) a diversion of management's time and our resources; (v) substantial monetary awards to trial participants or patients; (vi) product recalls, withdrawals or labeling, marketing or promotional restrictions; or (vii) a decline in our stock price. Our inability to retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop. We may have to pay amounts awarded by a court or negotiated in a settlement that exceed our insurance coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. The Credit Facilities contain, and future debt facilities may contain, restrictions that limit our flexibility in operating our business; we fund interest and amortization payments from cash flows generated in our operations, and to the extent that cash flows deteriorate, it could be difficult or impossible to timely make our debt service payments or obtain additional debt financing. We maintain a substantial amount of debt, and we may incur additional debt in the future to help fund our business. Our substantial indebtedness and interest expense could have important consequences to us **adversely affect our business and results of operations**, including: • limiting our ability to use a substantial portion of our cash flow from operations in other areas of our business, including for working capital, expanding our infrastructure, capital expenditures and other general business activities and investment opportunities in our company, because we must dedicate a substantial portion of these funds to pay interest and / or service our debt and because the documents contain restrictions on certain of those actions; • impacting our cash flows, results of operations and financial condition as interest rates **rise fluctuate**, as our Credit Facilities incur interest at a floating rate; • requiring us to seek to incur further indebtedness in order to make the capital expenditures and other expenses or investments necessary to operate the business to the extent our future cash flows are insufficient; • requiring us to refinance the Revolving Credit Facility if the lenders do not agree to extend the maturity date beyond June 30, 2026; • limiting our ability to obtain additional financing in the future for working capital, capital expenditures, debt service requirements, acquisitions and the execution of our strategy, and other expenses or investments planned by us; • limiting our flexibility and our ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation, our business and our industry; • our inability to satisfy our obligations under our indebtedness (which could result in an event of default and acceleration if we fail to comply with the requirements of our indebtedness); and • increasing our vulnerability to a downturn in our business and to adverse economic and industry conditions generally. The existing Credit Facilities (as discussed in more detail in "Item 7. Management's Discussion And Analysis of Financial Condition and Results of Operations – the Revolving Credit Facility and Term Loan") contain, and any documents governing our or our subsidiaries' future indebtedness may contain, numerous financial and operating covenants that limit the discretion of management with respect to certain business matters. Such restrictive covenants include restrictions on, among others, our **or and** our subsidiaries' ability to: (1) incur additional indebtedness; (2) create or suffer to exist any liens upon any of our or our subsidiaries' property; (3) pay dividends and other distributions or enter into agreements restricting our

subsidiaries' ability to pay dividends; (4) make investments; (5) make certain loans; (6) dispose of assets; (7) merge, amalgamate, combine or consolidate; (8) engage in certain transactions with stockholders or affiliates; (9) amend or otherwise alter the terms of our or our subsidiaries' indebtedness; and (10) alter the business that we **currently** conduct. The existing Credit Facilities also require **us**, and any documents governing our ~~or and~~ our subsidiaries' future indebtedness may require, **us** to meet certain financial ratios and tests in order to enter into certain transactions, incur additional indebtedness, pay dividends and other actions. In addition, if we become subject to the financial ratios and tests that are specified in the Revolving Credit Facility, noncompliance with such ratios and tests would be an event of default. We and our Subsidiary Obligor's ability to comply with these and other provisions of the existing Credit Facilities is dependent on our future performance, which will be subject to many factors, some of which are beyond our control. The breach of any of these covenants or noncompliance with any applicable financial ratios and tests could result in an event of default under the existing debt agreements, which, if not cured or waived, could result in acceleration of the related debt and the acceleration of debt under other instruments evidencing indebtedness that may also contain cross- acceleration or cross- default provisions. Variable rate indebtedness subjects us and the Subsidiary Obligor to the risk of higher interest rates, which could cause our future debt service obligations to increase significantly. The Credit Facilities have restrictions on our ability to sell our products directly to the cannabis industry. Our Credit Facilities each contain customary covenants, restrictions and defaults. The Credit Facilities prohibit us and the Subsidiary Obligor from selling our products, inventory or services directly to cannabis growers operating in any country that prohibits the sale and use of cannabis products other than in accordance with the applicable laws of such country. We are in compliance with the terms set forth in the Revolving Credit Facility and the Term Loan and maintain policies and procedures that are designed to promote and achieve continued compliance with such requirements. These compliance requirements may require that we be more selective than our competitors when selecting to whom we sell our products, and in certain situations, may afford our competitors a competitive advantage if we are not able to sell our products to a certain customer, and may negatively impact our marketing efforts, sales and reputation in the market. Moreover, the breach of any of these compliance requirements may result in the occurrence of an event of default under each of the Revolving Credit Facility and the Term Loan, which would entitle JPMorgan **, as administrative agent on behalf of the lenders party to such agreements,** to terminate the commitments thereunder and declare all loans then outstanding to be due and payable. The foregoing events would have a material adverse effect on our business, results of operations and financial condition. Substantially all of our and our Subsidiary Obligor's assets are pledged to secure obligations under the Credit Facilities. We and our Subsidiary Obligor have granted a continuing security interest in substantially all of our assets to JPMorgan ~~, as administrative agent on behalf of the lenders party to such agreements.~~ If we or the Subsidiary Obligor default on any of our obligations under such agreements, JPMorgan will be entitled to exercise remedies available to them resulting from such default, including increasing the applicable interest rate on all amounts outstanding **to the stated default rate**, declaring all amounts due thereunder immediately due and payable, assuming possession of the secured assets, and exercising **all other** rights and remedies of a secured party under the Uniform Commercial Code, as applicable then in the United States, or the Personal Property Security Act, as applicable then in Canada. Our ability to conduct our business may be materially harmed as a result of the exercise of any remedies, in the event that such remedies are exercisable, by JPMorgan. Disruptions in **the** availability or increases in the prices of raw materials sourced by suppliers could adversely affect our results of operations. We source many of our product components from outside of the United States. The general availability and price of those components can be affected by numerous forces beyond our control, including political instability, trade restrictions and other government regulations, duties and tariffs, price controls, the availability of shipping and transportation services, changes in currency exchange rates and weather. A significant disruption in the availability of any of our key product components could negatively impact our business. In addition, increases in the prices of key commodities and other raw materials could adversely affect our ability to manage our cost structure. Market conditions may limit our ability to raise selling prices to offset increases in our raw material costs. ~~Our~~ ~~Our~~ ~~reliance on a proprietary technologies can limited--~~ **limit** ~~base of suppliers~~ **our ability to locate or utilize alternative inputs** for certain products. **For certain inputs, new sources of supply** such as light fixtures, ~~may have result in disruptions to~~ **be qualified under regulatory standards, which can require additional investment and delay bringing a product to market. If our suppliers that currently, our- or will in the future, sell directly to the retail market in which we conduct our current or future business, or if our customers that currently, or will in the future, manufacture and sell competitive products, our ability to sell certain products could be harmed.** ~~Distributed and brand suppliers may sell through us in order to access our customers across the United States and Canada. Based on our knowledge and communication with our suppliers, we believe some of our suppliers sell directly to the retail market. If these suppliers were to cease working with us, or proceed to enhance their direct- to- customer efforts, our product offerings, reputation, operation and business could be materially adversely affect-affected. Certain of our customers may also begin, our- or financial results enhance, their manufacturing of goods that compete with our product offerings, potentially reducing demand of our products.~~ **As our** ~~Although we continue to implement risk-mitigation strategies for single- source suppliers, we rely on a limited number of suppliers for certain of the light ballasts used in manufacturing our lighting systems. A portion of our key suppliers previously experienced significant volume demands, which impacted supplier performance. If we are unable to maintain supplier arrangements and~~ **customers more directly compete in** relationships, if we are unable to contract with suppliers at the quantity and quality levels needed for our business, ~~or our market~~ **if any of our key suppliers becomes insolvent or experience other financial distress, we could experience disruptions in production, which could have a decrease in market share and** ~~material adverse effect on our financial condition, results of operations and cash flows.~~ **Disruption in our global supply chain has impacted and** ~~or vendor relationships~~ **may continue to** negatively impact our businesses. The products we sell are sourced from a ~~wide~~ variety of domestic and international vendors, and any disruption in our supply chain or inability to find qualified vendors and access products that meet requisite quality and safety standards in a timely and efficient manner could adversely impact our businesses. The loss or

disruption of such supply arrangements for any reason, including for issues such as ~~COVID-19 or other~~ health epidemics or pandemics, labor disputes, loss or impairment of key manufacturing sites, inability to procure sufficient raw materials, quality control issues, ethical sourcing issues, a supplier's financial distress, natural disasters, looting, vandalism or acts of war or terrorism, trade sanctions or other external factors over which we have no control, could interrupt product supply and, if not effectively managed and remedied, have a material adverse impact on our business operations, financial condition and results of operations. **If we are unable to maintain supplier arrangements and relationships, if we are unable to contract with suppliers at the quantity and quality levels needed for our business, or if any of our key suppliers becomes insolvent or experience other financial distress, we could experience disruptions in production, which could have a material adverse effect on our financial condition, results of operations and cash flows.** A significant interruption in the operation of our or our suppliers' facilities could impact our capacity to produce products and service our customers, which could adversely affect revenues and earnings. Operations at our and our suppliers' facilities are subject to disruption for a variety of reasons, including fire, flooding or other natural disasters, disease outbreaks or pandemics, acts of war, terrorism, government shut-downs and work stoppages. A significant interruption in the operation of our or our suppliers' facilities, especially for those products manufactured at a limited number of facilities, such as fertilizer and liquid products, could significantly impact our capacity to sell products and service our customers in a timely manner, which could have a material adverse effect on our customer relationships, revenues, earnings and financial position. If our suppliers are unable to source raw materials in sufficient quantities, on a timely basis, and at acceptable costs, our ability to sell our products may be harmed. The manufacture of some of our products is complex and requires precise high quality manufacturing that is difficult to achieve. We have in the past experienced, and may in the future experience, difficulties in manufacturing our products on a timely basis and in sufficient quantities. These difficulties may result in increased delivery lead-times and increased costs of manufacturing these products. Our failure to achieve and maintain the required manufacturing standards could result in further delays or failures in product testing or delivery, cost overruns, product recalls or withdrawals, increased warranty costs or other problems that could harm our business and prospects. In determining the required quantities of our products and the manufacturing schedule, we must make significant judgments and estimates based on historical experience, inventory levels, current market trends and other related factors. Because of the inherent nature of estimates, there could be significant differences between our estimates and the actual amounts of products we require, which could harm our business and results of operations. **Disruptions in availability or increases in the..... business could be materially adversely affected.** It is evident to us that the movement towards the legalization of cannabis in the United States and its legalization in Canada has ultimately had a significant, positive impact on our industry. Accordingly, the risks referred to below, to the extent they relate to our customers could impact us indirectly. In addition, if our business is deemed to transact with companies in the United States involved in the cannabis business, these risks could apply directly to us." Cannabis Industry Participants" means the potential customers and end- users of our products who are engaged in the cannabis industry. We are subject to a number of risks, directly and indirectly through Cannabis Industry Participants, because cannabis is illegal under federal law. Cannabis is illegal under U. S. federal law. Federal law and enforcement may adversely affect the implementation of medical cannabis and / or adult use cannabis laws, and may negatively impact our revenues and profits. Under the **CSA Controlled Substances Act**, the U. S. federal government currently lists cannabis as a Schedule I controlled substance (i. e., deemed to have no medical value), and accordingly the manufacturing (cultivation), sale, or possession of cannabis is federally illegal. It is also federally illegal in the United States to advertise the sale of cannabis or to sell paraphernalia designed or intended primarily for use with cannabis, unless the paraphernalia is authorized by federal, state, or local law. The U. S. Supreme Court ruled in *United States v. Oakland Cannabis Buyers' Cooperative*, 532 U. S. 483 (2001) and *Gonzales v. Raich*, 545 U. S. 1 (2005) that the U. S. federal government has the right to regulate and criminalize cannabis, even for medical purposes. The illegality of cannabis under U. S. federal law preempts state laws that legalize or decriminalize its use. Therefore, strict enforcement of U. S. federal law regarding cannabis would likely adversely affect our revenues and results of operations. Other laws that directly impact **the cannabis Cannabis Industry Participants** growers that are end-users of certain of our products include: • Businesses trafficking in cannabis may not take tax deductions for costs beyond costs of goods sold under Code Section 280E. There is no way to predict how the federal government may treat cannabis businesses from a taxation standpoint in the future and no assurance can be given to what extent Code Section 280E, or other tax- related laws and regulations, may be applied to cannabis businesses in the future. • Because the manufacturing (cultivation), sale, possession and use of cannabis is illegal under federal law, cannabis businesses may have restricted intellectual property ~~and proprietary~~ rights, particularly with respect to obtaining and enforcing patents and trademarks. In addition, cannabis businesses may face court action by third parties under RICO. Intellectual property ~~and proprietary~~ rights could be impaired as a result of cannabis business, and cannabis businesses could be named as a defendant in an action asserting a RICO violation. • Federal bankruptcy courts cannot provide relief for parties who engage in ~~cannabis or~~ cannabis businesses. Recent bankruptcy rulings have denied bankruptcies for cannabis dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity and upon the justification that courts cannot ask a bankruptcy trustee to take possession of, and distribute cannabis assets as such action would violate the CSA. Therefore, cannabis businesses may not be able to seek the protection of the bankruptcy courts and this could materially affect their financial performance and / or their ability to obtain or maintain credit. • Since cannabis is illegal under federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved in the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Any such inability to open or maintain bank accounts may make it difficult for cannabis businesses to operate. Under the BSA, banks must report to the federal government any suspected illegal activity, which includes any transaction associated with a cannabis business. These reports must be filed even though the business is operating legitimately under state law. • Insurance that is otherwise readily available, such as general liability and directors and officer's insurance, may be more difficult to find, and

more expensive. Any presidential administration, current or future, could change federal enforcement policy or execution and decide to enforce the federal cannabis laws more strongly. Recent administrations have disagreed on how strongly to enforce federal cannabis laws. For example, on August 29, 2013, the DOJ under the Obama administration issued the Cole Memorandum, characterizing strict enforcement as an inefficient use of federal investigative and prosecutorial resources. The Cole Memorandum provided guidance to all federal prosecutors indicating that federal enforcement of the CSA against cannabis-related conduct should be focused on specific priorities, including cannabis distribution to minors, violence in connection with cannabis distribution, cannabis cultivation on federal property, and collection of cannabis-derived revenue by criminal enterprises, gangs and cartels. On January 4, 2018, the DOJ under the Trump administration issued the Sessions Memorandum, which effectively rescinded the Cole Memorandum and directed federal prosecutors to enforce the CSA and to follow well-established principles when pursuing prosecutions related to cannabis activities. The DOJ under the Biden administration ~~has did not readopted~~ **readopt** the Cole Memorandum, but **former** President Biden ~~has~~ indicated support for decriminalization of cannabis. On October 6, 2022, **former** President Biden issued an executive order pardoning all persons convicted of simple possession of cannabis under the CSA. In the same executive order, **former** President Biden also directed the Secretary of ~~HHS Health and Human Services~~ and the Attorney General to initiate an administrative process to review the scheduling of cannabis under the CSA, and on August 29, 2023, the Department of ~~HHS Health and Human Services~~ officially recommended that the DEA reschedule cannabis from Schedule I to Schedule III, although the DEA is not obligated to follow this recommendation. Further, on December 2, 2022, **former** President Biden signed into law the Medical Marijuana and Cannabidiol Research Expansion Act, which streamlines and expands the process for researching the medical use of cannabis. **On May 16, 2024, the DOJ announced that the Attorney General submitted a notice of proposed rulemaking process for rescheduling cannabis. The DEA held a preliminary hearing on the proposed rescheduling of cannabis on December 2, 2024.** We cannot predict how the current administration or future administrations will enforce the CSA or other laws against cannabis activities. Any change in the federal government's enforcement of current federal laws could cause significant financial damage to us. The legal uncertainty and possible future changes in law could negatively affect our growth, revenues, results of operations and success generally. Unless and until cannabis is de-scheduled entirely or Congress amends the CSA with respect to medical and / or adult use cannabis, there is a risk that federal prosecutors may enforce the existing CSA. Federal authorities may decide to change their current posture and begin to enforce current federal cannabis law and, if they decide to ignore the principles in the Cole Memorandum and begin to aggressively enforce such laws, it is possible that they could allege that we violated federal laws by selling products used in the cannabis industry. As a result, active enforcement of the current federal regulatory position on cannabis may directly or indirectly adversely affect our revenues and profits. Violations of any U. S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U. S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on our business, including our reputation and ability to conduct business, the listing of our securities on any stock exchanges, the settlement of trades of our securities, our ability to obtain banking services, our financial position, operating results, profitability or liquidity or the market price of our publicly-traded shares. In addition, it is difficult for us to estimate the time or resources that would be needed for the investigation of any such matters or their final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. Cannabis Industry Participants are subject to federal and state controlled substance laws and regulations. As a result, we are indirectly subject to a number of risks related to controlled substances. Some of our products are sold to Cannabis Industry Participants and used in connection with cannabis businesses that are subject to federal and state controlled substance laws and regulations. Companies that transact directly or indirectly with cannabis businesses are subject to a number of risks related to controlled substances, which risks could reduce demand for our products by Cannabis Industry Participants. Such risks include, but are not limited to, the following:

- Cannabis is currently a Schedule I drug under the CSA and regulated by the DEA as an illegal substance. The FDA, in conjunction with the DEA, licenses cannabis research and drugs containing active ingredients derived from cannabis. If cannabis were to become legal under federal law, its sale and use could become regulated by the FDA or another federal agency.
- If cannabis were to become regulated by the FDA or another federal agency, extensive regulations may be imposed on the sale or use of cannabis. Such regulations could result in a decrease in cannabis sales and have a material adverse impact on the demand for our products. If we or our Cannabis Industry Participants are unable to comply with any applicable regulations and / or registration prescribed by the FDA, we may be unable to continue to transact with retailers and resellers who sell products to cannabis businesses and / or our financial condition may be adversely impacted.
- Controlled substance legislation differs between states, and legislation in certain states may restrict or limit Cannabis Industry Participants from buying our products. Cannabis Industry Participants may be required to obtain separate state registrations, permits or licenses in order to be able to obtain, handle and / or distribute controlled substances in a state. Such state regulatory requirements may be costly and, the failure of such Cannabis Industry Participants to meet such regulatory requirements could lead to enforcement and sanctions by the states in addition to any from the DEA or otherwise arising under federal law. We could be implicated in such enforcement or sanctions because of the purchase of our products by such Cannabis Industry Participants.
- The failure of our Cannabis Industry Participants to comply with applicable controlled substance laws and regulations, or the cost of compliance with these laws and regulations, may adversely affect the demand for our products and, as a result, the financial results of our business operations and our financial condition. Furthermore, the Credit Facilities restrict our ability and the ability of the Subsidiary Obligor to sell our products directly to U. S. cannabis growers. Our growth is highly dependent on the U. S. cannabis market. In the past, California regulations caused licensing shortages and future regulations may create other limitations that decrease the demand for our products. State level regulations adopted in the future may adversely impact our business. Supply and demand and prevailing

prices for cannabis may also adversely impact our business. The base of cannabis growers in the United States has grown over the past 20 years since the legalization of cannabis in various U. S. states such as California, Colorado, Michigan, Nevada, Oregon and Washington, with growers depending on products similar to those we distribute. If the U. S. cannabis cultivation market does not grow as expected, our business, financial condition and results of operations could be adversely impacted. Cannabis remains illegal under U. S. federal law, with cannabis currently listed as a Schedule I substance under the CSA. Notwithstanding laws in various states permitting certain cannabis activities, all cannabis activities, including possession, distribution, processing and manufacturing of cannabis and investment in, and financial services or transactions involving proceeds of, or promoting such activities remain illegal under various U. S. federal criminal and civil laws and regulations, including the CSA, as well as laws and regulations of several states that have not legalized some or any cannabis activities to date. Compliance with applicable state laws regarding cannabis activities does not protect us from federal prosecution or other enforcement action, such as seizure or forfeiture remedies, nor does it provide any defense to such prosecution or action. Cannabis activities conducted in or related to conduct in multiple states may potentially face a higher level of scrutiny from federal authorities. Penalties for violating federal drug, conspiracy, aiding, abetting, bank fraud and / or money laundering laws may include prison, fines, and seizure / forfeiture of property used in connection with cannabis activities, including proceeds derived from such activities. We sell our products through third- party retailers and resellers, however, it is evident to us that the movement towards the legalization of cannabis in the United States and its legalization in Canada has ultimately had a significant, positive impact on our industry. We are not currently subject directly to any state laws or regulations controlling participants in the legal cannabis industry. However, regulation of the cannabis industry does impact those that we believe represent many end- users for our products and, accordingly, there can be no assurance that changes in regulation of the industry and more rigorous enforcement by federal authorities will not have a material adverse effect on us. Legislation and regulations pertaining to the use and cultivation of cannabis are enacted on both the state and federal government level within the United States. As a result, the laws governing the cultivation and use of cannabis may be subject to change. Any new laws and regulations limiting the use or cultivation of cannabis and any enforcement actions by state and federal governments could indirectly reduce demand for our products, and may impact our current and planned future operations. Individual state laws allowing the cultivation and possession of cannabis for adult and medical uses conflict with federal laws prohibiting the cultivation, possession and use of cannabis for any purpose. A number of states have passed legislation legalizing or decriminalizing cannabis for adult use, other states have enacted legislation specifically permitting the cultivation and use of cannabis for medicinal purposes, and several states have enacted legislation permitting cannabis cultivation and use for both adult and medicinal purposes. Variations exist among those states' cannabis laws. Evolving federal and state laws and regulations pertaining to the use or cultivation of cannabis, as well as active enforcement by federal or state authorities of the laws and regulations governing the use and cultivation of cannabis may indirectly and adversely affect our business, our revenues and our profits. ~~Furthermore, the Credit Facilities restrict our ability and the ability of the Subsidiary Obligors to sell our products directly to cannabis growers. See "Risks Relating to Our Indebtedness."~~ Certain of our products may be purchased for use in new and emerging industries and / or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, future scientific research and public perception. We sell products, including hydroponic gardening products, through third- party retailers and resellers. End users may purchase these products for use in new and emerging industries, including the growing of cannabis that may not achieve market acceptance in a manner that we can predict. The demand for these products is dependent on the growth of these industries, which is uncertain, as well as the laws governing the growth, possession, and use of cannabis by adults for both adult and medical use. Laws and regulations affecting the U. S. cannabis industry are continually changing, which could detrimentally affect our growth, revenues, results of operations and success generally. Local, state and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require the end users of certain of our products or us to incur substantial costs associated with compliance or to alter our respective business plans. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of ~~operation~~ **operations** and financial condition. Scientific research related to the benefits of cannabis remains in its early stages, is subject to a number of important assumptions, and may prove to be inaccurate. Future research studies and clinical trials may reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could materially impact the demand for our products for use in the cannabis industry. The public' s perception of cannabis may significantly impact the cannabis industry' s success. Both the medical and adult use of cannabis are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to cannabis will be favorable. The cannabis industry is constantly evolving with no guarantee of viability. The market for medical and adult use of cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of cannabis, whether in the United States or internationally, may have a material adverse effect on our operational results, consumer base, and financial results. Among other things, such a shift in public opinion could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult use cannabis or adopt new **laws or regulations restricting or prohibiting the medical or adult use of cannabis where it is now legal, thereby limiting the business of Cannabis Industry Participants. Subsequently, Demand demand** for our products may be negatively impacted depending on how laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions develop. We cannot predict the nature of such developments or the effect, if any, that such developments could have on our business. Our indirect involvement in the cannabis industry could affect the public' s perception of us and be detrimental to our reputation. Damage to our reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that

our retailers and resellers that transact with cannabis businesses might attract negative publicity. There is also risk that the action (s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact our reputation. The increased use of social media and other web- based tools used to generate, publish and discuss user- generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views with regard to **the cannabis industry in general**, cannabis companies and their activities  ~~, whether true or not and the cannabis industry in general~~ , whether true or not. We do not have control over how the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to our overall ability to advance our business strategy and realize our growth prospects, thereby having a material adverse impact on our business. In addition, third parties with whom we may do business could perceive that they are exposed to reputational risk as a result of our retailers' and resellers' involvement with cannabis businesses. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of our business could have a material adverse effect on our business, financial condition and results of operations. Businesses involved in the cannabis industry, and investments in such businesses, are subject to a variety of laws and regulations related to money laundering, financial recordkeeping and proceeds of crimes. Investments in the U. S. cannabis industry are subject to a variety of laws and regulations that involve money laundering, financial recordkeeping and proceeds of crime, including the BSA, as amended by the USA PATRIOT Act, other anti- money laundering laws, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States. In February 2014, the FinCEN **Memo was** issued  ~~the FinCEN Memo~~ providing guidance to banks seeking to provide services to cannabis businesses. The FinCEN Memo outlines circumstances under which banks may provide services to cannabis businesses without risking federal prosecution for violation of U. S. federal money laundering laws and outlines extensive due diligence and reporting requirements. On June 29, 2020, FinCEN issued additional guidance for financial institutions conducting due diligence and filing suspicious activity reports in connection with hemp- related business customers. While these guidelines clarify that financial institutions are not required to file suspicious activity reports solely based on a customer' s hemp- related business operations that comply with applicable state law and regulations, these requirements can still present challenges for certain end users of our products in establishing and maintaining banking relationships, and restrictions on cannabis- related banking activities remain. The U. S. House of Representatives has passed the SAFE Banking Act numerous times, and, if enacted, this bill would protect banks and credit unions from federal prosecution for providing services to cannabis companies. However, the Senate has thus far failed to pass the SAFE Banking Act or other similar legislation  ~~, despite industry expectations that the Senate would pass the SAFE Banking Act in late 2022~~ . Compliance with applicable state laws regarding cannabis activities does not protect from federal prosecution or other enforcement action, such as seizure or forfeiture remedies, nor does it provide any defense to such prosecution or action. Cannabis- related activities conducted in or related to conduct in multiple states may potentially face a higher level of scrutiny from federal authorities. Changes to current DOJ or Treasury Department policies or current state laws or regulations might adversely affect the legal risks under federal anti- money laundering laws posed by the acceptance directly by our distributors or indirectly by us of proceeds of our end users' cannabis growing activities. Certain state and other regulations pertaining to the use of certain ingredients in **growing grow** media and plant nutrients could adversely impact us by restricting our ability to sell such products. One of our leading product lines is **growing grow** media and nutrients products. This product line includes certain products, such as organic soils and nutrients that contain ingredients that require product registrations with certain regulators. The use and disposal of these products in some jurisdictions are subject to regulation by various agencies. A decision by a regulatory agency to significantly restrict the use of such products that have traditionally been used in the cultivation of our products could have an adverse impact on us or those companies providing us with such regulated products, and as a result, limit our ability to sell these products.  ~~Our products and operations may be subject to increased regulatory and environmental scrutiny in jurisdictions in which we do business. For example, we are subject to regulations relating to our harvesting of peat moss in Canada, which has come under increasing regulatory and environmental scrutiny at the federal, provincial and territorial levels. The remediation of the Company' s peat bog sites is under provincial oversight. Failure by the Company to comply with such oversight could result in fines, current or future loss of peat bog leases, or other penalties.~~ We are currently subject to, and may in the future become subject to additional, U. S., state and foreign laws and regulations imposing obligations on how we collect, store and process personal information. Our actual or perceived failure to comply with such obligations could harm our business. We are, and may increasingly become, subject to various laws and regulations, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. The regulatory environment related to data privacy and security is increasingly rigorous, with new and constantly changing requirements applicable to our business, and enforcement practices are likely to remain uncertain for the foreseeable future. These laws and regulations may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material adverse effect on our business, financial condition, results of operations and prospects. In the United States, various federal and state regulators, including governmental agencies like the Consumer Financial Protection Bureau and the Federal Trade Commission, have adopted, or are considering adopting, laws and regulations concerning personal information and data security. Certain state laws may **be become** more stringent or broader in scope, or offer greater individual rights, with respect to personal information than federal, international or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. For example, the California Consumer Privacy Act (" CCPA"), which increases privacy rights for California residents and imposes obligations on companies that process their personal information, came into effect on January 1, 2020. Among other things, the CCPA requires covered companies to provide new disclosures to California consumers and provide such consumers new data protection and privacy rights, including the ability to opt- out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the

loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. In addition, on November 3, 2020, California voters approved a new privacy law, the California Privacy Rights Act ("CPRA"). The CPRA came into effect on January 1, 2023, and significantly modifies the CCPA, including by expanding consumers' rights with respect to certain personal information and creating a new state agency to oversee implementation and enforcement efforts. ~~Virginia and Colorado also~~ **In total, twenty states have** enacted comprehensive data privacy laws similar to the CCPA, ~~both of which became~~ **with several additional state privacy laws planned to take effect** ~~effect~~ **in 2023** **2025**. In addition, laws in all 50 U. S. states require businesses to provide notice to consumers whose personal information has been disclosed as a result of a data breach. State laws are changing rapidly and there is discussion in the U. S. Congress of a new comprehensive federal data privacy law to which we would become subject **to** if it is enacted. Internationally, laws, regulations and standards in many jurisdictions apply broadly to the collection, use, retention, security, disclosure, transfer and other processing of personal information. For example, the ~~E. U.~~ **European Union ("EU")** General Data Protection Regulation ("GDPR"), which became effective in May 2018, greatly increased the **jurisdictional reach of the** European Commission's ~~jurisdictional reach of its~~ laws and **adds added** a broad array of requirements for handling personal data. EU member states are tasked under the GDPR to enact, and have enacted, certain implementing legislation that adds to and / or further interprets the GDPR requirements and potentially extends our obligations and potential liability for failing to meet such obligations. The GDPR, together with national legislation, regulations and guidelines of the EU member states and the United Kingdom governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and otherwise process personal data. In particular, the GDPR includes obligations and restrictions concerning the consent and rights of individuals to whom the personal data relates, the transfer of personal data out of the European Economic Area or the United Kingdom, security breach notifications and the security and confidentiality of personal data. The GDPR authorizes fines for certain violations of up to 4 % of global annual revenue or € 20 million, whichever is greater. All of these evolving compliance and operational requirements impose significant costs, such as costs related to organizational changes, implementing additional protection technologies, training employees and engaging consultants, which are likely to increase over time. In addition, such requirements may require us to modify our data processing practices and policies, distract management or divert resources from other initiatives and projects, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Any failure or perceived failure by us to comply with any applicable federal, state or similar foreign laws and regulations relating to data privacy and security could result in damage to our reputation, as well as proceedings or litigation by government agencies or other third parties, including class action privacy litigation in certain jurisdictions, which would subject us to significant fines, sanctions, awards, penalties or judgments, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Compliance with, or violation of, environmental, health and safety laws and regulations, including laws pertaining to the use of pesticides, could result in significant costs that adversely impact our reputation, businesses, financial position, results of operations and cash flows. International, federal, state, provincial and local laws and regulations relating to environmental, health and safety matters affect us in several ways in light of the ingredients that are used in products included in our **growing grow** media and nutrients product line. In the United States, products containing pesticides generally must be registered with the **Environmental Protection Agency (the "EPA")**, and similar state agencies before they can be sold. The failure by one of our partners to obtain or the cancellation of any such registration, or the withdrawal from the marketplace of such pesticides, could have an adverse effect on our businesses, the severity of which would depend on the products involved, whether other products could be substituted and whether our competitors were similarly affected. The pesticides we may produce or distribute are either granted a license by the EPA or exempt from such a license and may be evaluated by the EPA as part of its ongoing exposure risk assessment. The EPA may decide that a pesticide we distribute will be limited or will not be re-registered for use in the United States. We cannot predict the outcome or the severity of the effect on our business of any future evaluations, if any, conducted by the EPA. In addition, the end user application or use of certain pesticide products is regulated by various international, federal, state, provincial and local environmental and public health agencies. Although we strive to educate the end user with such laws and regulations, we may be unable to prevent violations of these or other laws and regulations from occurring. Even if we are able to comply with all applicable laws and regulations and obtain all necessary registrations and licenses, the pesticides or other products we distribute, could be alleged to cause injury to the environment, to people or to animals, or such products could be banned in certain circumstances. The costs of compliance, noncompliance, investigation, remediation, combating reputational harm or defending civil or criminal proceedings, products liability, personal injury or other lawsuits could have a material adverse impact on our reputation, businesses, financial position, results of operations and cash flows. We may not be able to adequately obtain, maintain, protect or enforce our intellectual property and other proprietary rights that are material to our business. Our ability to compete effectively depends in part on our rights to trademarks, patents and other intellectual property rights we own or license. We have not sought to register every one of our trademarks either in the United States or in every country in which such mark is used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property ~~or proprietary~~ rights laws, we may not receive the same protection in other countries as we would in the United States with respect to the registered brand names and issued patents we hold. If we are unable to obtain, maintain, protect and enforce our intellectual property ~~and proprietary~~ rights, including our information and / or brand names, we could suffer a material adverse effect on our business, financial condition and results of operations. The steps we take to obtain, maintain, protect and enforce our intellectual property ~~and proprietary~~ rights may be **deemed** inadequate and despite our efforts to protect these rights, unauthorized third parties, including our competitors, may duplicate, reverse engineer, access, obtain, use or copy the proprietary aspects of our technology, processes, products or services without our permission. In addition, we cannot guarantee that we have entered into confidentiality agreements with each party that has or may have had access to our proprietary information, know-how and trade secrets. Moreover, our contractual arrangements may be breached or otherwise

not effectively prevent disclosure of, or control access to, our intellectual property and confidential and proprietary information or provide an adequate remedy in the event of an unauthorized disclosure. If we are unable to obtain, maintain, protect or enforce our intellectual property ~~and proprietary~~ rights, including our proprietary information and / or brand names, we could suffer a material adverse effect on our business, financial condition and results of operations. Litigation may be necessary to enforce our owned or in- licensed intellectual property ~~rights and proprietary~~ rights and protect our proprietary information against claims by third parties that our products or services infringe, misappropriate or otherwise violate their intellectual property rights ~~or proprietary rights~~. Any litigation or claims brought by us could result in substantial costs and diversion of our resources and may not be successful, even when our rights have been infringed, misappropriated or otherwise violated. Our efforts to enforce our intellectual property ~~and proprietary~~ rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property ~~and proprietary~~ rights, and if such defenses, counterclaims or countersuits are successful, we could lose valuable intellectual property ~~and proprietary~~ rights. Additionally, the mechanisms for enforcement of intellectual property ~~and proprietary~~ rights in foreign jurisdictions may be inadequate. Obtaining and maintaining our patent protection depends on compliance with various procedural, document submissions, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for noncompliance with these requirements. Periodic maintenance or annuity fees on any issued patents are due to be paid to the **U. S Patent and Trademark Office ("USPTO")**, and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payments and other similar provisions during the patent application process. While an inadvertent or unintentional lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, nonpayment of fees and failure to properly legalize and submit formal documents. If we or our licensors fail to maintain the patents and patent applications covering our products, our competitors might be able to enter the market, which would have a material adverse effect on our business. Additionally, patents have a limited lifespan. Even if patents covering our products or services are obtained, once the patent life has expired, we may be open to competition from competitive products or services. If one of our products requires extended development, testing and / or regulatory review, patents protecting such products might expire before or shortly after such products are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. From time to time, we may need to rely on licenses to proprietary technologies, which may be difficult or expensive to obtain or we may lose certain licenses which may be difficult to replace, harming our competitive position. We may need to obtain licenses to patents and other intellectual property ~~and proprietary~~ rights held by third parties to develop, manufacture and market our products, if, for example, we sought to develop our products, in conjunction with any patented technology. If we are unable to timely obtain these licenses on commercially reasonable terms (or at all) and maintain these licenses, our ability to commercially market our products, may be inhibited or prevented, which could have a material adverse effect on our business, results of operations, financial condition and cash flows. In spite of our best efforts, our **potential** licensors might conclude that we have materially breached our license agreements and might therefore terminate the license agreements, thereby removing our ability to develop and commercialize products, services and technology covered by these license agreements. If these **future** in- licenses are terminated, or if the underlying patents **in these future licenses** fail to provide the intended exclusivity, competitors may have the freedom to market products identical to ours and we may be required to cease using or commercializing our products, services and technology covered by such patents. Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business. Our success depends upon our ability to develop, manufacture, market and sell our products, and to use our proprietary technologies without infringing, misappropriating or otherwise violating the intellectual property ~~or proprietary~~ rights of third parties. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property ~~or proprietary~~ rights with respect to our products and technology, including interference or derivation proceedings and various other post- grant proceedings before the USPTO and / or non- U. S. opposition proceedings. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future. A successful claim of trademark, patent or other intellectual property ~~or proprietary~~ right infringement, misappropriation or other violation against us, or any other successful challenge to the use of our intellectual property ~~and proprietary~~ rights, could subject us to damages or prevent us from providing certain products or services, or using certain of our recognized brand names, which could have a material adverse effect on our business, financial condition and results of operations. As a result of any such infringement claims, or other intellectual property claims, regardless of merit, or to avoid potential claims, we may choose or be compelled to seek intellectual property licenses from third parties. These licenses may not be available on acceptable terms, or at all. Even if we are able to obtain a license, the license would likely obligate us to pay license fees, royalties, minimum royalties and / or milestone payments and the rights granted to us could be nonexclusive, which would mean that our competitors may be able to obtain licenses to the same intellectual property. Ultimately, we could be prevented from commercializing a product and / or technology or be forced to cease some aspect of our business operations if, as a result of actual or threatened infringement or other intellectual property claims, we are unable to enter into licenses of the relevant intellectual property on acceptable terms. Further, if we attempt to modify a product and / or technology or to develop alternative methods or products in response to infringement or other intellectual property claims or to avoid potential claims, we could incur substantial costs, encounter delays in product introductions or interruptions in sales. Intellectual property disputes could cause us to spend substantial resources and distract our personnel from their normal responsibilities. Even if resolved in our favor, litigation or other legal proceedings

relating to intellectual property claims may cause us to incur significant expenses, and could distract our personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the value of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent and other intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. If our owned or in- licensed trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected. We regard our owned and in- licensed trademarks, trade names and service marks as having significant value and as an important factor in the success of our business. The registered or unregistered trademarks, trade names and service marks that we own or in- license from third parties may be challenged, infringed, circumvented, declared generic or determined to be infringing on or dilutive of other marks. Additionally, at times, competitors may adopt trademarks, trade names or service marks similar to the ones we own or in- license, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trademark, trade name or service mark infringement claims brought against us or our licensors by owners of other trademarks, trade names and service marks. Over the long term, if we are unable to establish name recognition based on our owned and in- licensed trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. We may also license our trademarks, trade names and service marks out to third parties, such as our distributors. Though these license agreements may provide guidelines for how our trademarks, trade names and service marks may be used, a breach of these agreements or misuse of our trademarks, trade names and service marks by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names. Our efforts to enforce or protect our intellectual property and proprietary rights related to trademarks, trade names and service marks may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our business, financial condition, results of operations and prospects. We may incur indebtedness or issue capital stock that ranks senior or equally to our common stock as to liquidation preference and other rights and which may dilute our stockholders' ownership interest. Shares of our common stock are common equity interests in us and, as such, will rank junior to all of our existing and future indebtedness and other liabilities. Additionally, our amended and restated certificate of incorporation (the "Certificate of Incorporation") does not prohibit us from issuing any series of preferred stock that would rank senior or equally to our common stock as to dividend payments and liquidation preference. Our Certificate of Incorporation allows for our board of directors to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock. We have the authority to issue up to 50, 000, 000 shares of our preferred stock without further stockholder approval. The issuances of any series of preferred stock could have the effect of reducing the amounts available to our holders of common stock in the event of our liquidation. In addition, if we issue preferred stock with voting rights that dilute the voting power of our common stock, the market price of our common stock could decrease. Additional issuances and sales of preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us. In addition, any additional capital raised through the sale of equity or equity- backed securities may dilute our stockholders' ownership percentages and could also result in a decrease in the market value of our common stock. Provisions in our corporate charter documents and under Delaware law could make an acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management. **These provisions Provisions in our corporate charter documents and under Delaware General Corporation Law (" DGCL")** might discourage, delay or prevent a change in control of our company or a change in our management. The existence of these provisions could adversely affect the voting power of holders of common stock and limit the price that investors might be willing to pay in the future for shares of our common stock. Furthermore, we have the authority to issue up to 50, 000, 000 shares of our preferred stock without further stockholder approval, the rights of which will be determined at the discretion of the board of directors and that, if issued, could operate as a " poison pill" to dilute the stock ownership of a potential hostile acquirer to prevent an acquisition that our board of directors does not approve. In addition, our Certificate of Incorporation and amended and restated bylaws (the " Bylaws") contain provisions that may make the acquisition of our company more difficult, including the following: • our authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise; • our board of directors is classified into three classes of directors with staggered three- year terms and directors are only able to be removed from office for cause; • stockholders will only be able to take action at a meeting of stockholders and will not be able to take action by written consent for any matter, except in certain circumstances; • a special meeting of our stockholders may only be called by the chairperson of our board of directors or a majority of our board of directors; • advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders; and • certain amendments to our Certificate of Incorporation and any amendments to our Bylaws by our stockholders will require the approval of at least two- thirds of our then- outstanding voting power entitled to vote generally in an election of directors, voting together as a single class. Various provisions of our lending agreements with JPMorgan, in addition to our Certificate of Incorporation, Bylaws and other corporate documents, could delay or prevent a change of control. The Credit Facilities ~~prohibits~~ **prohibit** us from undergoing a change of control. Any takeover attempt could be delayed, or prevented, if an amendment or waiver is not provided by the respective lenders. See " Risks Relating to Our Indebtedness". Moreover, certain provisions of our Certificate of Incorporation and Bylaws

and provisions of ~~DGCL Delaware General Corporation Law~~ could delay or prevent a change of control or may impede the ability of the holders of our common stock to change our management. In particular, our Certificate of Incorporation and Bylaws, among other things will regulate how stockholders may present proposals or nominate directors for election at stockholders' meetings and authorize our board of directors to issue preferred stock in one or more series, without stockholder approval. See "Description of Capital Stock — Anti- Takeover Provisions" which is attached to this Annual Report on Form 10-K as Exhibit 4. 2. We have no direct operations and no significant assets other than the ownership of capital stock and equity interests of our subsidiaries. Because we conduct our operations through our subsidiaries, we depend on those entities for dividends and other payments to generate the funds necessary to meet our financial obligations. Legal and contractual restrictions in the Credit Facilities and other agreements which may govern future indebtedness of our subsidiaries, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. The earnings from, or other available assets of, our subsidiaries might not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our common stock or other obligations. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and cash flows. In addition, our ability to pay dividends is restricted by the terms of the Credit Facilities and, in addition, future debt financing, if any, may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our securities. We currently intend to retain any future earnings for use in the operation and expansion of our business. Accordingly, we do not expect to pay any dividends to holders of our common stock in the foreseeable future, but will review this policy as circumstances dictate. The declaration and payment of all future dividends to holders of our common stock, if any, will be at the sole discretion of our board of directors, which retains the right to change our dividend policy at any time. In addition, our ability to pay dividends is restricted by the terms of the Credit Facilities and, in addition, future debt financing, if any, may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our securities. Consequently, capital appreciation, if any, of our common stock may be the sole source of gain on investment for the foreseeable future. **We may not** ~~If we fail to meet the~~ **continued listing requirements** ~~standards of Nasdaq~~, our common stock may be delisted **from the Nasdaq Capital Market**, which **could** ~~may~~ **adversely** affect the market price and liquidity **of for** our common stock **and reduce our ability to raise additional capital**. Our common stock is currently traded on **On March 14, 2024, we received written notice (the "Notification Letter") from The Nasdaq - Stock Market LLC ("Nasdaq requires") notifying us to meet certain financial, public float, that we were not in compliance with the minimum bid price and liquidity standards requirements set forth in Nasdaq Listing Rule 5550 (a) (2) for continued listing** on an ongoing basis in order to continue the **Nasdaq Capital Market. Nasdaq listing Listing** of our common stock, including that we **Rule 5550 (a) (2) requires listed securities maintain a minimum closing bid price of \$ 1.00 per share**, and **Nasdaq Listing Rule 5810 (c) (3) (A) provides that a failure to meet the minimum closing bid price requirement exists if the deficiency continues for a period of 30 consecutive business days. Based on the closing bid price of our common stock for the 30 consecutive business days prior to the date of the Notification Letter, we did not meet the minimum closing bid price requirement. To regain compliance, the closing bid price of our common stock must be at least \$ 1.00 per share for a minimum of 10 consecutive business days at any time prior to September 10, 2024. On August 9, 2024, we submitted a request to Nasdaq for a 180- day extension to regain compliance with the Minimum Bid Price Requirement. We indicated to Nasdaq that we met the continued listing requirement for market value of publicly- held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and provided notice of our intention to cure the deficiency during the extended compliance period by effecting a reverse stock split, if necessary. On June 6, 2024, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our issued and outstanding common stock at a ratio between 1- for- 1.1 and 1- for- 25, with the decision of whether to implement such split being subject to the discretion of the board of directors. On September 12, 2024, Nasdaq notified us that it had approved our application to transfer our listing from Nasdaq' s Global Select Market tier to the Capital Market tier. This transfer was effective at the opening of business on Friday, September 13, 2024. Nasdaq also approved an additional 180- day extension to March 10, 2025 to regain compliance with the Minimum Bid Price Requirement, in accordance with Nasdaq Listing Rule 5810 (c) (3) (A). On February 6, 2025, the board of directors approved a ratio of 1- for- 10 for the Reverse Stock Split and on February 12, 2025, we filed the Charter Amendment, with the Secretary of State of the State of Delaware to effect a 1- for- 10 reverse stock split (the "Reverse Stock Split") of the Common Stock, effective February 12, 2025 at the Effective Time and our shares of Common Stock began trading on a split- adjusted basis on Nasdaq at the commencement of trading on February 13, 2025, under our existing trading symbol "HYFM". On February 27, 2025, we regained compliance with the applicable continued listing requirements for Nasdaq Capital Market**. There can be no assurance that we will be able to maintain compliance with the **Minimum Bid requirements Requirements for- or continued otherwise be in compliance with other Nasdaq listing criteria. Delisting from Nasdaq could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity** of our common stock on Nasdaq. **Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities**. If our common stock is delisted by Nasdaq, the price of our common stock may decline and our common stock may be eligible to trade on the OTC Bulletin Board, another over- the- counter quotation system, or on the pink sheets where ~~and~~ **an investor may find it more difficult to dispose of their common stock or obtain accurate quotations as to the market value of our common stock. Further, if we are unable to list delisted, we would incur additional costs under requirements of state "blue sky" laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of** our common stock on another U. S. national securities exchange, we expect our securities would be quoted on an ~~and~~ **over- the ability of** ~~counter~~ market. If this were to occur, our stockholders **to sell** could

face significant material adverse consequences, including limited availability of market quotations for our common stock and reduced liquidity for the trading of our securities. Furthermore, if our common stock were delisted it could adversely affect our ability to obtain financing for the continuation of our operations and / or result in the **secondary market** loss of confidence by investors, customers, suppliers and employees. The market price of our common stock could be negatively affected by future sales of our common stock. If our existing stockholders, our directors, their affiliates, or our executive officers, sell a substantial number of shares of our common stock in the public market, the market price of our common stock could decrease significantly. The perception in the public market that these stockholders might sell our common stock could also depress the market price of our common stock and could impair our future ability to obtain capital, especially through an offering of equity securities. The price of our common stock has been, and may continue to be, volatile and may fluctuate substantially, which could result in substantial losses for purchasers of our common stock. The market price of our common stock has fluctuated substantially due to a number of factors. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our common stock include the following: • price and volume fluctuations in the overall stock market from time to time; • volatility in the trading prices and trading volumes of stocks in our industry; • changes in operating performance and stock market valuations of other companies generally, or those in our industry in particular; • sales of shares of our common stock by us or our stockholders; • failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company or our failure to meet these estimates or the expectations of investors; • the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections; • announcements by us or our competitors of new offerings or platform features; • the public's reaction to our press releases, other public announcements and filings with the SEC; • rumors and market speculation involving us or other companies in our industry; • actual or anticipated changes in our results of operations or fluctuations in our results of operations; • actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally; • litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors; • developments or disputes concerning our intellectual property or other proprietary rights; • announced or completed acquisitions of businesses, services or technologies by us or our competitors; • new laws or regulations or new interpretations of existing laws or regulations applicable to our business; • changes in accounting standards, policies, guidelines, interpretations or principles; • any significant change in our management; • the continued threat of terrorism and the impact of military and other action, including military actions involving Russia and Ukraine and the ongoing conflict in Israel and Gaza; and • general economic conditions and slow or negative growth of our markets. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources. Our Certificate of Incorporation provides that the doctrine of "corporate opportunity" will not apply with respect to any director or stockholder who is not employed by us or our affiliates. The doctrine of corporate opportunity generally provides that a corporate fiduciary may not develop an opportunity using corporate resources, acquire an interest adverse to that of the corporation or acquire property that is reasonably incident to the present or prospective business of the corporation or in which the corporation has a present or expectancy interest, unless that opportunity is first presented to the corporation and the corporation chooses not to pursue that opportunity. The doctrine of corporate opportunity is intended to preclude officers or directors or other fiduciaries from personally benefiting from opportunities that belong to the corporation. Our Certificate of Incorporation provides that the doctrine of "corporate opportunity" does not apply with respect to any director or stockholder who is not employed by us or our affiliates. Any director or stockholder who is not employed by us or our affiliates will therefore have no duty to communicate or present corporate opportunities to us, and will have the right to either hold any corporate opportunity for their (and their affiliates') own account and benefit or to recommend, assign or otherwise transfer such corporate opportunity to persons other than us, including to any director or stockholder who is not employed by us or our affiliates. As a result, certain of our stockholders, directors and their respective affiliates will not be prohibited from operating or investing in competing businesses. We therefore may find ourselves in competition with certain of our stockholders, directors or their respective affiliates, and we may not have knowledge of, or be able to pursue, transactions that could potentially be beneficial to us. Accordingly, we may lose a corporate opportunity or suffer competitive harm, which could negatively impact our business or prospects. Our Certificate of Incorporation and our Bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our Certificate of Incorporation and our Bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the **DGCL** Delaware General Corporation Law, our Certificate of Incorporation or our Bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Notwithstanding the foregoing, the exclusive forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act, the Securities Act of 1933, as amended (the "Securities Act"), or any other claim for which the federal courts have exclusive jurisdiction. Unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our Certificate of Incorporation and our Bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other

jurisdictions, which could materially and adversely affect our business, financial condition, and results of operations. General Risk Factors If we are unable to retain key personnel, we may not be able to implement our business plan and our business may fail; our headcount reductions may cause undesirable consequences. If we are unable to retain key personnel, our business may be materially adversely affected. We reduced headcount in **2024 and 2023 and 2022**, and may implement further reductions in the future to create operational efficiencies. This workforce reduction may yield unintended consequences, such as attrition beyond our intended reductions and reduced employee morale, which may cause our employees who were not affected by the headcount reductions to seek alternate employment. We cannot provide assurance that we will not undertake additional workforce reductions or that we will be able to realize cost savings and other anticipated benefits from our previous or any future workforce reduction plans. In addition, this may adversely impact our ability to respond rapidly to any new product, growth or revenue opportunities and to execute on our business plans. In light of recent inflation, we may be required to increase the compensation we offer to current and prospective employees in order to compete for talent, and any wage increases may make it more difficult for us maintain general operating expenses at desired levels. Litigation may adversely affect our business, financial condition and results of operations. From time to time in the normal course of our business operations, we may become subject to litigation that may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operation are required. The cost to defend such litigation may be significant and may require a diversion of our resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition and results of operations. **Our The Company's** equity incentive plans may have a dilutive effect on your percentage ownership and may result in a dilution of your voting power and an increase in the number of shares of common stock eligible for future resale in the public market, which may negatively impact the trading price of our shares of common stock. **Our The Company's** equity incentive plans, including the vesting of restricted stock units and performance stock units, and the exercise of some or all of our outstanding options could result in significant dilution in the percentage ownership interest of existing investors and in the percentage ownership interest of our existing common stockholders and in a significant dilution of voting rights and earnings per share. In addition to the dilutive effects described above, the vesting or exercise of those securities would lead to an increase in the number of shares of common stock eligible for resale in the public market. Sales of substantial numbers of such shares of common stock in the public market could adversely affect the market price of our shares of common stock. Substantial dilution and / or a substantial increase in the number of shares of common stock available for future resale may negatively impact the trading price of our shares of common stock. Our security holders may be diluted by future issuances of securities by us. In the future, we may issue our authorized but previously unissued equity securities, including additional shares of capital stock or securities convertible into or exchangeable for our **capital common** stock. Such issuance of additional securities would dilute the ownership stake in us held by our existing stockholders and could adversely affect the value of our securities. We may also issue additional shares of our common stock, warrants or other securities that are convertible into or exercisable for the purchase of shares of our common stock in connection with hiring and / or retaining employees or consultants, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. The future issuance of any such additional shares of our common stock or other securities, for any reason including those stated above, may have a negative impact on the market price of our common stock. There can be no assurance that the issuance of any additional shares of common stock, warrants or other convertible securities may not be at a price (or exercise prices) below the price **a stockholder paid for its shares** of the **our** common stock ~~offered hereby~~. Failure to comply with the U. S. Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences. As a Delaware corporation, we are subject to the U. S. Foreign Corrupt Practices Act, which generally prohibits U. S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Corruption, extortion, bribery, pay- offs, theft and other fraudulent practices may occur from time- to- time in countries in which we conduct our business. **However If we are not successful in implementing and maintaining adequate preventative measures , we may be responsible for the acts of** our employees or other agents **engaging** may engage in **such** conduct ~~for which we might be held responsible~~. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations. Delaware law contains anti- takeover provisions that could deter takeover attempts that could be beneficial to our stockholders. Provisions of Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. Section 203 of the **DGCL** Delaware General Corporation Law may make the acquisition of our company and the removal of incumbent officers and directors more difficult by prohibiting stockholders holding 15 % or more of our outstanding voting stock from acquiring us, without the consent of our board of directors, for at least three years from the date they first hold 15 % or more of the voting stock.