

Risk Factors Comparison 2025-03-28 to 2024-04-24 Form: 10-K

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

Our business is subject to a number of risks of which you should be aware before making a decision to invest in our securities. The summarized risks described below are not the only risks that we face. The following summarized risks as well as risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially and adversely affect our business, results of operations, financial condition, earnings per share, cash flow or the trading price of our common stock. These summarized risks include, among others, the following: Risks Related to Our Business, Strategy and Growth • A **large meaningful** percentage of our gross originations **is-are** concentrated with a single merchant, and any deterioration in the business of, or in our relationship with this merchant or any other key merchant relationship or partner **would-could** materially and adversely affect our business, results of operations, financial condition and prospects. • If we are unable to attract additional **direct merchant-merchants** ~~partners~~ and retain and grow our relationships with our existing **direct merchant-merchants** ~~partners~~, our results of operations, financial condition, and prospects would be materially and adversely affected. • **Unexpected changes to consumer behavior could cause** our proprietary algorithms and decisioning tools used in approving customers to no longer be indicative of our customer's ability to perform. • Our success depends on the effective implementation and continued execution of our strategies. • If we fail to maintain customer satisfaction and trust in our brand, our business, results of operations, financial condition and prospects would be materially and adversely affected. • If we are unable to attract new customers and retain and grow our relationships with our existing customers, or if attracting or retaining customers is not cost-efficient, our results of operations, financial condition, and prospects would be materially and adversely affected. • Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves **the-its** forecasted growth, our business could fail to grow at similar rates, if at all. • **We rely on the accuracy of third-party data, and inaccuracies in such data could adversely impact our approval process.** • The success and growth of our business depends upon our ability to continuously innovate and develop new products and technologies. **Risks Related** • **To the extent that we seek to grow through future acquisitions** **Our Indebtedness** • **We have substantial indebtedness, which may reduce or our other strategic investments capability to withstand adverse developments or alliances, we-business conditions.** • **We may not be able to do so effectively refinance our indebtedness on favorable terms, or at all.** Risks Related to Our **inability to refinance our** ~~Indebtedness~~ **indebtedness would** • **We have a material substantial indebtedness, which may reduce our capability to withstand adverse developments effect on or our business, financial conditions-** **condition, results of operations, and prospects.** • The loan and security agreement (as amended the "Credit Agreement") governing the total aggregate indebtedness under the ~~senior secured term loan ("Term Loan") and revolving loan facility (the "Credit Facility")~~ includes restrictive covenants and financial maintenance covenants, which could restrict our operations or ability to pursue growth strategies or initiatives, **including potential mergers and acquisitions opportunities.** Failure to comply with these covenants could result in an acceleration of repayment of the indebtedness under the Credit Agreement, which would have a material adverse effect on our business, financial condition and results of operations. • A Change of Control as defined by our Credit Agreement could accelerate our obligation to pay our outstanding indebtedness, and we may not have sufficient liquid assets at that time to repay these amounts. Financial Risks Related to Our Business • We have a history of operating losses and may not be profitable in the future. • ~~Our revenue and operating results may fluctuate, which could result in a decline in our profitability and make it more difficult for us to grow our business.~~ • We rely on card issuers and payment processors. If we fail to comply with the applicable requirements of Visa, Mastercard or other payment processors, those payment processors could seek to fine us, suspend us or terminate our registrations which could have a material adverse effect on our business, results of operations, financial condition, and prospects. • ~~Our ability to use our net operating loss carry forwards and certain other tax attributes may be limited.~~ Risks **Related** to Our Technology and Our Platform • Real or perceived software errors, failures, bugs, defects, or outages could adversely affect our business, results of operations, financial condition, and prospects. • Our results depend on continued integration and support of our platforms, **including (both the Katapult App and our direct and / or waterfall integration technologies),** by our merchant partners. • We rely on **KPay enabled third-party** ~~merchants~~ to allow access to their stores through our mobile app **and our desktop and mobile websites.** • We are subject to stringent and changing laws, regulations, rules, standards and contractual obligations related to data privacy and security, which could increase the cost of doing business, compliance risks and potential liability and otherwise negatively affect our operating results and business regulations. • Any significant disruption in, or errors in, service on our platform or relating to vendors, including events beyond our control, could prevent us from processing transactions on our platform or posting payments and have a material and adverse effect on our business, results of operations, financial condition, and prospects. • Data security breaches or other security incidents with respect to our information technology systems, networks or data, or those of third parties upon which we rely, could result in adverse consequences, including but not limited to regulatory investigations, litigation, fines and penalties, disruption of our business operations, reputational harm, loss of revenue or profits, and loss of customers. • ~~While we take precautions to prevent customer identity fraud, it is possible that identity fraud may still occur or has occurred, which may adversely affect the performance of the lease-to-own transactions facilitated through our platform.~~ • Failure to adequately obtain, maintain, protect, defend and enforce our intellectual property and proprietary rights could harm our business, operating results and financial condition. Legal and Compliance Risks • ~~Our business is subject to the requirements of various federal, state and local laws and regulations, which can require significant compliance costs and expose us to government investigations, significant additional costs, fines or other monetary penalties or settlements, and compliance-related burdens.~~ • We

are subject to sales, income and other taxes, which can be difficult and complex to calculate due to the nature of our businesses. A failure to correctly calculate and pay such taxes, or an unfavorable outcome on uncertain tax positions we may record from time to time, may result in substantial tax liabilities and a material adverse effect on several aspects of our performance. • If we fail to establish and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected. • **We have previously identified Control control deficiencies that were initially identified in 2020 in connection with the audit of our financial statements for the years ended December 31, 2019 and 2018 and in the aggregate constituted material weaknesses. We identified additional control deficiencies in 2024 during the preparation of our consolidated financial statements for this annual report for the years ended December 31, 2023 and 2022. These additional control issues fall into the same material weaknesses that were initially identified in 2020. We may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate any material weaknesses or if we otherwise fail to establish and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.** • We face risks related to the restatement of our previously issued consolidated financial statements and financial information as of and for the fiscal year ended December 31, 2022, as well as for the interim financial periods **for 2022 and 2023**, which may adversely impact our business. • Delayed filing of our Annual Report on Form 10-K has made us currently ineligible to use certain registration statements to register the offer and sale of securities, which could adversely affect our ability to raise future capital or complete acquisitions **or to issue equity awards.** • **We are not in have previously fallen out of compliance with Nasdaq 's requirements for continued listing, and if any future failure to comply with Nasdaq 's does not concur that we have adequately remedied our non-compliance with applicable listing rules, requirements could result in our common stock being may be delisted from trading on the Nasdaq Global Market, which could have a material adverse effect on us and our stockholders.** • **If we discover a material weakness in our internal control over financial reporting that we are unable to remedy or otherwise fail to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to report our financial results on a timely and accurate basis and the market price of our common stock may be adversely affected.** • Changes to tax laws or exposure to additional tax liabilities may have a negative impact on our operating results. • We are subject to legal proceedings from time to time which seek material damages or otherwise may have a material adverse effect on our business. **The costs we incur in defending ourselves or associated with settling any of these proceedings, as well as a material final judgment or decree against us, could materially adversely affect our financial condition by requiring the payment of the settlement amount, a judgment or the posting of a bond and / or such matters could otherwise materially and adversely impact our business.** Operational Risks Related to Our Business • Uncertain market and economic conditions have had, and may in the future have, serious adverse consequences on our business, financial condition and share price. • Failure to effectively manage our costs could have a material adverse effect on our profitability. • **Negative publicity about us or our industry could adversely affect our business, results of operations, financial condition, and prospects.** • Misconduct and errors by our employees, vendors, and service providers could harm our business and reputation. • **The loss of the services of any of our leadership team could materially and adversely affect our business, results of operations, financial condition, and future prospects.** • Our business depends on our ability to attract and retain highly skilled employees. Other Risks • **The majority of our management has limited experience in operating a public company.** • We will continue to incur significant costs as a result of operating as a public company, and our management will continue to devote substantial time for new compliance initiatives. • Future sales, or potential future sales, by us or our stockholders in the public market could cause the market price for our common stock to decline. • The price of our securities may change significantly in the future and stockholders could lose all or part of their investment as a result. A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. 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 risks actually occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the trading price of our securities could decline. **Risks Relating to Our Business and Industry**—A large **meaningful** percentage of our gross originations **is are** concentrated with a single merchant, and any deterioration in the business of, or in our relationship with, this merchant or any other key merchant relationship or partner **would could** materially and adversely affect our business, results of operations, financial condition, and prospects. We depend on continued relationships with Wayfair and other key merchants. Our top merchant, Wayfair, represented approximately **47-36 %** and **54-49 %** of our gross originations (which we define as the retail price of the merchandise associated with lease-purchase agreements entered into **through the Katapult platform** and do not represent revenue earned) for the fiscal years ended December 31, **2024 and 2023 and 2022**, respectively. **Gross originations from Wayfair exclude transactions through Katapult Pay and only include transactions directly through the Wayfair waterfall platform.** Our top ten **direct** merchants, **which are merchants with whom we have a direct contractual arrangement**, in the aggregate represented approximately **81-54 %** and **83-67 %** of our gross originations for the fiscal years ended December 31, **2024 and 2023 and 2022**, respectively. **The loss of any of our significant merchant partners, and in particular the loss of Wayfair, would materially and adversely affect our business, results of operations, financial condition, and prospects. In addition, a material modification in the merchant agreement with Wayfair or another significant merchant or changes in the prominence of our solution on a significant merchant's website or prioritization of our solution in a significant merchant's waterfall could adversely affect our business, results of operations, financial condition, and prospects.** There can be no guarantee that these **direct merchant** relationships will continue or, **if they do continue, that these relationships will continue to be successful. There is a risk that we may lose merchants for a variety of**

reasons, including a failure to meet key contractual or commercial requirements, or if merchants shift to in-house solutions (including providing a service competitive to us) or competitor providers. If our relationship with Wayfair or another key merchant deteriorates, they choose to no longer partner with us, or choose to partner with a competitor, or their business is negatively impacted by one or more factors, our business, results of operations, financial condition and prospects will be materially and adversely affected. The concentration of a significant portion of our business and transaction volume with a single merchant or a limited number of merchants exposes us disproportionately to events, circumstances, or risks affecting such single merchant, such as Wayfair, or our other key merchants. For example, supply chain issues have in the past and may in the future negatively impact the sales of many of our merchants which in turn has contributed to a decline in our gross origination volume during the applicable periods. If our key merchant partners, in particular Wayfair, are unable to acquire new customers or retain existing customers or are otherwise negatively impacted by the macroeconomic and geopolitical conditions, our results of operations, financial condition and prospects will be negatively impacted. We also depend on continued relationships with key partners that assist in obtaining and maintaining our relationships with merchants. There is a risk that e-commerce platforms with which we partner (such as Shopify, BigCommerce, WooCommerce, and Magento) may limit or prevent Katapult from being offered as a payment option at checkout. We also face the risk that our key partners could become competitors of our business. If we are unable to attract additional direct merchants and retain and grow our relationships with our existing direct merchants, our business, results of operations, financial condition, and prospects would be materially and adversely affected. Our strategy to grow gross originations partially depends on our ability to maintain and grow our relationships with current direct merchants, and to attract select new direct merchants that will stimulate consumer demand on our platform. The attractiveness of our platform to merchants depends on, among other things, our brand and reputation, our ability to sustain our value proposition to merchants for consumer acquisition, the attractiveness of our platform to merchants, the services, products and consumer decision standards offered by our competitors, and our ability to perform under, and maintain, our merchant agreements. The success of our business is dependent on customers making payments on their leases when due and other factors affecting customer consumer spending and default behavior that are not under our control.

- Unexpected changes to consumer spending..... prospects would be materially and adversely affected.

We generate substantially all of our revenue through payments on leases we provide to customers to obtain the merchandise of our merchants and we bear the risk of non-payment or late payments by our customers. As such, the success of our business is dependent on customers making payments on their leases when due. We primarily provide leases to non-prime customers who do not have sufficient cash or credit to obtain home furnishings, automotive goods, electronics, computers, and other durable goods. The ability of these customers to make payments to us when due may be impacted by a variety of factors, such as loss of employment, deteriorating the emergence of significant unforeseen expenses as well as factors affecting customer spending. Customer spending is also affected by general economic conditions and other factors including levels of employment, but not limited to disposable customer consumer income, resumption of student loan repayments, inflation, prevailing interest rates, regulatory uncertainty, customer debt and availability of credit, costs of fuel, inflation, recession and fears of recession, banking crisis and fears of further banking crisis, war and fears of war (including the conflict involving Russia and Ukraine and the conflict involving Israel and Hamas), pandemics (such as COVID-19), inclement weather, tariff policies, tax rates and rate increases, timing of receipt of tax refunds, consumer confidence in future economic conditions and political conditions, and customer consumer perceptions of personal well-being and security. For example, during 2022 inflation increased rapidly, and although inflation appears to have started to moderate and stabilize during 2023, it is still elevated. Food, energy, residential rent, and other costs have increased, reflecting a tight labor market and supply chain issues. Unfavorable changes in factors listed above affecting discretionary spending for non-prime customers as a result of one or more of these factors could reduce demand for our products and services resulting in lower revenue and negatively impacting our business and our financial results. In addition to reducing demand for our products, these factors may unfavorably impact our customers' ability or willingness to make the lease payments they owe us in a timely manner or at all, resulting in increased customer payment delinquencies and lease merchandise write-offs and decreased gross margins, which could also materially and adversely impact our business, financial condition and results of operations. If customers are unable or unwilling to pay us due to one or more of these factors, our gross originations may not reflect and/or be directly correlated to our revenue. In addition, if our assumptions around customers' ability to pay us after we have recognized revenue deteriorate, such deterioration could result in a material impairment, increase our cost of revenue and materially and adversely impact our business, financial condition, results of operations and prospects. We believe our proprietary lease decisioning processes to be a key to the success of our business. The decisioning processes assume behavior and attributes observed for prior customers, among other factors, are indicative of performance by our future customers. Unexpected changes in customer consumer behavior caused by general changing economic conditions and other factors, including, continued elevated inflation, continued supply chain disruptions, the banking crisis in March 2023, the U. S. economy experiencing a potential prolonged recession and potential widespread job losses may mean that our decisioning tools may not function as intended. As a result, we may approve relatively more customers that are not able to perform, which would lead to increased customer payment delinquencies, increased incidence and costs related to impairment of property held for lease merchandise write-offs and decreased gross margins. When there are unexpected changes to consumer behavior spending patterns, our decisioning process typically requires more frequent adjustments and the application of management analysis of the interpretation and adjustment of the results produced by our decisioning tools. If Due to the there is a challenging macro environment in recent months, for example, we expect we may need to make more frequent adjustments to our decisioning process in the near term. If our decisioning tools are unable to accurately predict and respond to changes to customer consumer behaviors as a result of general economic or other factors, our ability to manage risk and avoid charge-offs may be negatively affected, which may result in insufficient reserves and materially and adversely impact our

business, financial condition, results of operations and prospects. We are focused on our mission to provide innovative lease financing solutions to non- prime customers and to enable **everyday-essential** transactions at the merchant point of sale. Growth of our business, including through the launch of new product offerings, requires us to invest in or expand our customer data and technology capabilities, engage and retain experienced management, and otherwise incur additional costs. For example, **since** we launched **the app in late 2022, transactions that were completed using KPay have grown to represent 32 % of our total gross originations for the year ended December 31, 2024. Approximately 54 % of our 2024 gross originations started with an interaction in** our mobile app and Katapult Pay in the third quarter of 2022. In 2023, our mobile app and Katapult Pay accounted for 19 % of our gross originations. However, these product enhancements may not continue to generate the additional **customer-consumer** and merchant engagement with our offerings that we expect. If these or other strategic initiatives are not successful longer- term, our competitiveness as well as our business and financial results may be materially and adversely affected. Our inability to address these concerns or otherwise to achieve targeted results associated with our initiatives could adversely affect our results of operations, or negatively impact our ability to successfully execute future strategies, which may result in an adverse impact on our business and financial results. If we fail to maintain customer satisfaction and trust in our brand, our business, results of operations, financial condition, and prospects would be materially and adversely affected. We provide a lease- to- own financing option for qualified customers seeking to obtain durable goods from **omnichannel and** e- commerce merchants. If customers do not trust our brand or do not have a positive experience, they will not use our services **and be unable**. **Consequently, our ability to retain customers and** attract **repeat business or retain merchant partners. In addition, our ability to attract new customers and merchants** is highly dependent on our reputation **among and on positive recommendations from** our existing customers and merchants. Any failure to maintain a consistently high level of customer service, or a market perception that we do not maintain high- quality customer service, would adversely affect our reputation and the number of positive customer referrals that we receive and the number of new and repeat customers. As a result, our business, results of operations, financial condition, and prospects would be materially and adversely affected. Our continued success depends on our ability to generate repeat use and increased gross originations from existing customers and to attract new **customers-consumers** to our platform. Our ability to retain and grow our relationships with our customers depends on the willingness of customers to use our products and services, including our mobile app and Katapult Pay. The attractiveness of our Katapult App to **customers-consumers** depends upon, among other things, the number and variety of our merchants and the mix of products and services available through our platform, our brand and reputation, customer experience and satisfaction, trust and perception of the value we provide, technological innovation, and the services, products and customer decisioning standards offered by our competitors. If we fail to **retain our relationship with existing customers, if we do not** attract new customers to our platform, products and services, or if we do not continually expand usage, repeat customers and gross originations, our results of operations, financial condition, and prospects would be materially and adversely affected. **We spend a significant amount on marketing activities to acquire new customers and retain and engage existing customers, and we expect to continue that focus given the increase in users of our mobile app and Katapult Pay. The portion of our business resulting from our mobile app and Katapult Pay depends to a large extent on app installs and website traffic, which is dependent on many factors, including merchant partner advertising, digital advertising and email advertising. The marketing efforts we implement may not succeed for a variety of reasons, including our inability to execute and implement our plans. External factors beyond our control may also impact the success of our marketing initiatives, including changes in search engine algorithms which could affect the visibility of our website and mobile app. If we are unsuccessful in accounting for all of these factors, we may be unable to recover our marketing spend and we may not be able to acquire new customers, and our existing customers may reduce the frequency with which they use our platform, any of which could have a material and adverse effect on our business, results of operations, financial condition, and prospects.** We operate in a highly competitive industry, and our inability to compete successfully would materially and adversely affect our results of operations, financial condition, and prospects. We operate in a highly competitive industry. We face competition from a variety of businesses and new market entrants, including competitors with lease- to- own products for e- commerce goods and other types of digital payment platforms. We face competition from virtual lease- to- own companies, e- commerce retailers (including those that offer layaway programs **and**, title or installment lending **or buy now, pay later programs**), online sellers of used merchandise, and various types of consumer finance companies that may enable our customers to shop at online retailers, as well as with online rental stores that do not offer their customers a purchase option. These competitors may have significantly greater financial and operating resources, greater name recognition and more developed products and services, which may allow them to grow faster. Greater name recognition, or better public perception of a competitor' s reputation, may help the competitor **divert take** market share. Some competitors may be willing to offer competing products on an unprofitable basis (or may have looser decisioning standards or be willing to relax their decisioning standards) in an effort to gain market share, which could compel us to match their pricing strategy or lose business. Moreover, prime lenders may loosen their underwriting standards and provide credit to non- prime **customers-consumers**, which would impact our gross origination as well as the credit quality of our customers and our business and results of operations. In addition, some of our competitors may be willing to lease certain types of products that we will not agree to lease, enter into customer leases that have services, as opposed to goods, as a significant portion of the lease value, or engage in other practices related to pricing, compliance, and other areas that we will not, in an effort to gain market share **at our expense**. Our business relies heavily on relationships with our merchants. **An increase in competition Competitors undertaking these tactics** could cause our merchants to **no longer cease to** offer our **Katapult product products** and services in favor of our competitors, or to offer our product and the products of our competitors simultaneously, which could slow growth in our business and limit or reduce profitability. Merchants could also develop their own in- house product that competes with our product. Furthermore, virtual lease- to- own competitors may deploy different business models, such as direct- to- **customer consumer** strategies, that forego reliance on merchant relationships that may prove to be more successful. Our **business may**

also be adversely impacted by, among other issues, other consumer finance companies increasing the availability of credit to our target customer market in response to changes in customer spending habits as a result of macro or other factors. If more credit is available to our target customer market, we will face increased competition, which may negatively impact our gross originations and our business, results of operations, financial condition and prospects. Our market opportunity estimates, including the size of the virtual lease- to- own market, and expectations about market growth are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate, **including our expectation with respect to the retail environment for home furnishings and other categories offered by our top merchant partners**. Even if the markets in which we compete meet our size estimates and growth expectations, our business could fail to grow for a variety of reasons, which could adversely affect our results of operations. **We rely on the accuracy of third- party data, and inaccuracies in such data could adversely impact our approval process**. We use data from third parties as part of our proprietary risk model used to assess whether a customer qualifies for ~~a one of our lease- purchase option options from a merchant~~. We are reliant on these third parties to ensure that the data they provide is accurate. Inaccurate data could cause us to not approve transactions that otherwise would have been approved, or instead, approve transactions that would have otherwise been denied and may lead to a higher incidence of bad debts and could have an adverse impact on our results of operations and financial condition. Our solution is a technology- driven platform that relies on innovation to remain competitive. The process of developing new technologies and products is complex, and we build our own technology, using the latest in artificial intelligence and machine learning (" AI / ML"), cloud- based technologies, and other tools to differentiate our products and technologies. **See " — We utilize AI / ML, which could expose us to liability or adversely affect our business " in " Risks Related to Our Technology and Our Platform " for more information.** In addition, our dedication to incorporating technological advancements into our platform requires significant financial and personnel resources. **In addition, our investment of resources to develop new products and talent technologies and make changes or updates to our platform may be insufficient**. Our development efforts **for with respect to these initiatives could distract management from current operations and could divert capital and other resources from other growth initiatives important to our business.** In addition, the product and technological enhancements that we introduce may not function as we intend, or may not generate the benefits that we expect. We operate in an industry experiencing rapid technological change and frequent product introductions. We may not be able to make technological improvements as quickly as demanded by our customers and merchants, which could harm our ability to attract customers and merchants. In addition, we may not be able to effectively implement new technology- driven products and services as quickly as competitors or be successful in marketing these products and services to customers and merchants. If we are unable to successfully and timely innovate and continue to deliver a superior merchant and customer experience, the demand for our products and technologies may decrease and our growth, business, results of operations, financial condition, and prospects could be materially and adversely affected. Our failure to accurately predict the demand or growth of our new products and technologies also could have a material and adverse effect on our business, results of operations, financial condition, and prospects. New products and technologies are inherently risky, due to, among other things, risks associated with: the product or technology not working, or not working as expected; customer and merchant acceptance; technological outages or failures; and the failure to meet customer and merchant expectations. As a result of these risks, we could experience increased claims, reputational damage, or other adverse effects, which could be material. The profile of potential customers using our new products and technologies also may not be as attractive as the profile of the customers that we currently serve, which may lead to higher levels of delinquencies or defaults than we have historically experienced. Additionally, we can provide no assurance that we will be able to develop, commercially market, and achieve acceptance of our new products and technologies. ~~In addition, our investment of resources to develop new products and technologies and make changes or updates to our platform may either be insufficient or result in expenses that exceed the revenue actually generated from these new products.~~ Failure to accurately predict demand or growth with respect to our new products and technologies could have a material and adverse effect on our business, results of operations, financial condition, and prospects. **To the extent** We utilize AI / ML, which could expose us to liability or adversely affect our business. We use AI / ML, including generative artificial intelligence, in many aspects of our business, including fraud, credit risk analysis, and product personalization. There are significant risks involved in utilizing AI / ML and no assurance can be provided that our use of such AI / ML will enhance our products or services or produce the intended results. The AI / ML models that we **seek** use are trained using various data sets. If the AI / ML models are incorrectly designed, the data we use to **grow** train them is incomplete, inadequate, or biased in some way, or we do not have sufficient rights to use the data on which our AI / ML models rely, the performance of our products, services, and business, as well as our reputation, could suffer or we could incur liability through **future acquisitions** the violation of laws and regulations, third- party intellectual property, privacy, or other **strategic investments** rights, or contracts to which we are a party. Further, AI / ML, particularly generative artificial intelligence, has been known to produce false or " hallucinatory " inferences or outputs; AI / ML can present ethical issues and may subject us to new or heightened legal, regulatory, ethical, or other challenges; and inappropriate or controversial data practices by developers and end- users, or other factors adversely affecting public opinion of AI / ML, could impair the acceptance of AI / ML solutions, including those incorporated in our **or alliances** products and services. If the AI / ML tools that we use are deficient, inaccurate or controversial, we **could incur operational inefficiencies, competitive harm.....** frameworks for AI / ML. We may not be able to **do so effectively** anticipate how to respond to these rapidly evolving frameworks, and we may need to expend resources to adjust our operations or offerings in certain jurisdictions if the legal frameworks are inconsistent across jurisdictions. Furthermore, because AI / ML technology itself is highly complex and rapidly developing, it is not possible to predict all of the legal, operational or technological risks that may arise relating to the use of AI / ML. We may in the future seek to grow our business by exploring potential acquisitions or other strategic investments or alliances. We may not be successful in identifying businesses or opportunities that meet our acquisition or expansion criteria. In addition, even if a potential acquisition target or other strategic investment is identified, we may not be

successful in completing such acquisition or integrating such new business or other investment. We may face significant competition for acquisition and other strategic investment opportunities from other well- capitalized companies, many of which have greater financial resources and greater access to debt and equity capital to secure and complete acquisitions or other strategic investments, than we do. As a result of such competition, we may be unable to acquire certain assets or businesses, or take advantage of other strategic investment opportunities that we deem attractive; the purchase price for a given strategic opportunity may be significantly elevated; or certain other terms or circumstances may be substantially more onerous. ~~Any delay or failure on our part to identify, negotiate, finance on favorable terms, consummate, and integrate any such acquisition or other strategic investment opportunity could impede our growth. Additional risks relating to potential acquisitions include difficulties in integrating the operations, systems, technologies, products and personnel of the acquired businesses, diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations, the potential loss of key employees, vendors and other business partners of the businesses we acquire; and increased amounts of debt incurred in connection with such activities or dilutive issuances of our common stock.~~ There is no assurance that we will be able to manage our **growth** expanding operations effectively ~~or that we will be able to continue to grow~~, and any failure to do so could adversely affect our ability to generate revenue and control our expenses. Furthermore, we may be responsible for any legacy liabilities of businesses we acquire or be subject to additional liability in connection with other strategic investments. The existence or amount of these liabilities may not be known at the time of acquisition, or other strategic investment, and may have an adverse effect on our business, results of operations, financial condition, and prospects. We have incurred substantial indebtedness. As of December 31, ~~2023~~ **2024**, the **Credit Facility total aggregate indebtedness under the senior secured Term Loan and RLOC** of Katapult SPV- 1 LLC (the " Borrower ") was approximately \$ ~~91~~ **114** . ~~1~~ **5** million of principal outstanding with Midtown Madison Management LLC, as agent for various funds of Atalaya Capital Management (the " Lender"). On March 6, 2023, in connection with the 15th amendment of our Credit Agreement, we refinanced our indebtedness with the Lender and repaid \$ 25. 0 million of principal on our outstanding term loan. **On November 21, 2024, in connection with the 17th amendment of our Credit Agreement, the total facility amount increased from \$ 75 million to \$ 100 million.** We, together with our wholly- owned subsidiary, Katapult Group, Inc., have guaranteed the obligations of the Borrower under the Credit Agreement. Our payments on our outstanding indebtedness are significant in relation to our revenue and cash flow, which exposes us to significant risk in the event of downturns in our business (whether through competitive pressures or otherwise), our industry or the economy generally, since our cash flows would decrease but our required payments under our indebtedness would not. Economic downturns may impact our ability to comply with the covenants and restrictions in our Credit Agreement and to make payments on our indebtedness as they become due. Our overall leverage and the terms of our Credit ~~Facility~~ **Agreement** could also: • make it more difficult for us to satisfy obligations; • limit our ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions; • limit our ability to service our indebtedness; • limit our ability to adapt to changing market conditions; • restrict us from making strategic acquisitions or cause us to make non- strategic divestitures; • require us to dedicate a significant portion of our cash flow from operations to paying the principal and interest on our indebtedness, thereby limiting **our ability to reach profitability and** the availability of our cash flow to fund future capital expenditures, working capital and other corporate purposes; • limit our flexibility in planning for, or reacting to, changes in our business and in our industry generally; and • place us at a competitive disadvantage compared with competitors that have a less significant debt burden. In addition, the Credit Agreement, secured by a pledge over all of the assets of the Borrower is guaranteed by us and our wholly- owned subsidiary, Katapult Group, Inc., which in turn is secured by a pledge over all of our assets and the assets of Katapult Group, Inc. ~~terms~~ **Our indebtedness matures on June 4 , 2025** ~~or at all~~. ~~Our inability to~~ **We are currently negotiating the refinance** ~~refinancing of~~ our indebtedness **which may include extending the maturity date** ~~would have a material adverse effect on our business, financial condition, results of operations, the RLOC and prospects~~ **Term Loan**. Our ability to refinance indebtedness will depend in part on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and to financial, business, legislative, regulatory and other factors beyond our control. In addition, prevailing interest rates or other factors at the time of refinancing could increase our interest expense. A refinancing of our indebtedness could also require us to comply with more onerous covenants and further restrict our business operations. Our inability to refinance our indebtedness or to do so upon attractive terms could materially and adversely affect our business, financial condition, results of operations, and prospects. The Credit Agreement governing the **Term Loan and** Credit Facility includes restrictive covenants and financial maintenance covenants, which could restrict our operations or ability to pursue growth strategies or initiatives **, including potential mergers and acquisitions opportunities**. Failure to comply with these covenants could result in an acceleration of repayment of the indebtedness under the Credit Agreement, which would have a material adverse effect on our business, financial condition and results of operations. The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants that restrict some of our activities. The negative covenants limit our ability to: incur additional indebtedness; pay dividends, redeem stock or make other distributions; amend our material agreements; make investments; create liens; transfer or sell the collateral for the Credit Agreement; make negative pledges; consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and enter into certain transactions with affiliates. Non- scheduled repayments of certain amounts under the Credit Agreement are subject to prepayment penalties, which would limit our ability to pay or refinance the Credit Agreement. Our ability to meet these covenants could be affected by events beyond our control, and we may be unable to satisfy them which would prevent us from pursuing certain growth strategies or initiatives due to this limitation. These or other limitations could decrease our operating flexibility and our ability to achieve our operating objectives. The Credit Agreement contains certain financial covenants. In particular, as of the end of each month, (1) we must maintain certain minimum Adjusted EBITDA levels and certain minimum Tangible Net Worth representing our total assets less certain capital expenses, prepaid expenses, intangible assets and total liabilities and (2) our Total Advance Rate (as defined in the Credit Agreement) may not

exceed certain thresholds. We must also maintain minimum liquidity of at least \$ 10. 0 million in unrestricted cash and cash equivalents as of any date of determination. These financial covenants are restrictive and failure to comply with these covenants would have a material adverse effect on our business, financial condition, and results of operations. **We have been in** On April 24, 2024, the **past** Company entered into the Limited Waiver and **may in** 16th Amendment to the Loan and Security Agreement **future be unable to comply** with **our** the Lender (the "16th Amendment"). Pursuant to such 16th Amendment, the Lender granted the Company a waiver of any Specified Defaults (as defined in the 16th Amendment) related to the accounting errors that led to the restatement of the Company's financial statements for all reporting periods prior to the date of the amendment to the extent such financial statements and certifications were impacted by the restatement. In addition, the 16th Amendment also updated certain financial covenants each as defined in the 16th Amendment, including Minimum Adjusted EBITDA (Trailing 3 Months), Minimum Adjusted EBITDA (YTD) and Minimum Tangible Net Worth. Failure to comply with any of these covenants or other obligation or agreement under the Credit Agreement that is not cured within the specified period under the Credit Agreement would result in an event of default under the agreement. In such event, if we are unable to negotiate with our Lender for a waiver or dispensation under the agreement, we would not be able to borrow under the Credit Agreement and our Lender would have the right to terminate the loan commitments under the Credit Agreement and accelerate repayment of all obligations under the Credit Agreement that would become due and payable immediately, which would have a material adverse effect on our business, results of operations and financial position. If we do not have sufficient liquid assets to repay amounts outstanding under the Credit Agreement, the Lender has the right to foreclose their liens against all of our assets and take possession and sell any such assets to reduce any such obligations. Under our Credit Agreement, all of the outstanding loans are required to be prepaid in full (together with accrued and unpaid interest and prepayment premium) and the revolving line of credit ("RLOC") will terminate if a Change of Control (as defined in the Credit Agreement) occurs that is not approved by the Lender. A Change of Control includes the occurrence of the following: (i) any "person" or "group" (as such terms are used in Sections 13 (d) and 14 (d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d- 3 and 13d- 5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 35 % or more of the equity securities of Katapult Holdings, Inc. entitled to vote for members of the board of directors (on a fully- diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right), and (ii) certain changes in the composition of our board of directors occurs during a twenty- four month period which were not recommended or approved by at least a majority of directors who were directors at the beginning of such twenty- four month period. In connection with the 15th amendment of our Credit Agreement, we repaid \$ 25. 0 million of principal on our outstanding Term Loan. As of December 31, 2023-2024, we had \$ 60-82. 7-8 million of principal outstanding under the RLOC. In addition, we had borrowings under our ~~term~~ **Term loan** ~~Loan~~ of \$ 30-31. 3-8 million (including capitalized ~~paid-in-kind~~ ("PIK") interest) as of December 31, 2023-2024. If any specified Change of Control occurs and the Lender accelerates these obligations, we may not have sufficient liquid assets to repay amounts outstanding under the Credit Agreement. We ~~may not be able to refinance our.....~~ of operations, and prospects. We incurred a net loss of ~~approximately~~ **\$ 25. 9 million and** \$ 36. 7 million and \$ 40-5 million during the fiscal years ended December 31, **2024 and** 2023 ~~and 2022~~, respectively. As of December 31, 2023-2024, our accumulated deficit was approximately \$ ~~122-148~~. 5 million. While our operating expenses decreased for the year ended December **31, 2023-2024** compared to the prior year, we may need to **further** increase our operating expenses in the future in order to continue growing our business, attracting customers, merchants and funding sources, and further enhancing and developing our products and platforms. As we expand our offerings to additional markets, our offerings in these markets may be less profitable than the markets in which we currently operate. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. We may incur net losses in the future and may not be profitable on a quarterly or annual basis. Our ability to timely raise capital in the future may be limited, or may be unavailable on acceptable terms, if at all. The failure to raise capital when needed could harm our business, operating results and financial condition. Debt or equity issued to raise additional capital may reduce the value of our common stock. We cannot be certain when or if the operations of our business will generate sufficient cash to fund our ongoing operations or the growth of our business. We intend to make investments to support and grow our business and may require additional funds to respond to business challenges, including the need to develop or enhance our technology, expand our sales and marketing efforts or develop new products. Additional financing may not be available on favorable terms, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, operating results and financial condition. If we incur additional debt, the debt holders could have rights senior to holders of our common stock and / or existing debt to make claims on our assets. The terms of any additional debt could have covenants which restrict our operations, including our ability to pay dividends on our common stock, take specific actions, such as incurring additional debt, or make capital expenditures. If we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock including liquidation or other preferences. Because the decision to issue securities in the future offering will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future issuances of debt or equity securities. As a result, stockholders will bear the risk of future issuances of debt or equity securities reducing the value of their common stock and diluting their interest. Our revenue and operating results ~~have varied, and may~~ **fluctuate** in the future vary, **which could result in a** from quarter to quarter and by season. ~~Periods of decline have resulted, and could in~~ **our** the future result, in an overall decline in profitability and make it more difficult for us to **grow our business. Our revenue and operating results have varied, and may in the future vary,**

from quarter to quarter and by season. Periods of decline have resulted, and could in the future result, in an overall decline in profitability and make it more difficult for us to make payments on our indebtedness and grow our business. We expect our quarterly results to fluctuate in the future due to a number of factors, including general economic conditions in the markets where we operate, **and the cyclical nature of customer spending patterns, including the impact of holiday** and seasonal sales and **tax refunds consumer spending patterns**. Any significant disruption or errors relating to our loan providers and loan processor, could delay the processing of transactions on our platform or cause temporary fluctuations in cash use and have a material and adverse effect on our business, results of operations, financial condition, and ~~future~~ prospects. Pursuant to our Credit Agreement, we are required to use a designated loan processor to validate customer purchases for funding our RLOC and, thus, in the operation of our platform. The performance and accuracy of said loan processor is essential to our operations and is critical to ensuring that loans are appropriately and timely funded. We rely on the designated loan processor to ensure their systems, internal procedures, verification processes and facilities are protected against service interruptions, power or telecommunications failures, criminal acts, and similar events. We may be harmed if there is a delay, disruption, or error in loan validation. Further, if our arrangements with the designated loan processor is terminated, or if there is a lapse in service due to errors, we could experience interruptions in the provision of our leases. We may also experience increased costs and difficulties in funding leases or finding replacement loan providers or processors on commercially reasonable terms, on a timely basis, or at all. In addition, in the event of error or interruption, we may be required to use cash to cover for any losses or uncovered leases that might occur, albeit temporarily. This could reduce our available cash or cause reputational harm, any of which could have a material and adverse effect on our business, results of operations, financial condition, and ~~future~~ prospects. In December 2023, the processor for our loan provider experienced a timing error in their validation processes. We alerted them to the error, temporarily covering the approved leases with our cash and the issue was resolved in January 2024. Both our loan provider and processor have since instituted changes to correct against similar interruptions in service, but there can be no assurance that a similar error will not occur in the future. We rely on card issuers and payment processors. If we fail to comply with the applicable requirements of Visa, Mastercard or other payment processors, those payment processors could seek to fine us, suspend us or terminate our registrations, which could have a material adverse effect on our business, results of operations, financial condition, and prospects. We rely on card issuers and payment processors, and must pay a fee for this service. From time to time, payment processors such as Visa or Mastercard may increase the interchange fees that they charge for each transaction using one of their cards. The payment processors routinely update and modify their requirements. Changes in the requirements, including changes to risk management and collateral requirements, may impact our ongoing cost of doing business and we may not, in every circumstance, be able to pass through such costs to our merchants or associated participants. Furthermore, if we do not comply with the payment processors' requirements (e. g., their rules, bylaws, and charter documentation), the payment processors could seek to fine us, suspend us or terminate our registrations that allow us to process transactions on their networks. The termination of our registration due to failure to comply with the applicable requirements of our payment processors, or any changes in the payment processors' rules that would impair our registration, could require us to stop utilizing payment services from our payment processors, which could have a material adverse effect on our business, results of operations, financial condition, and prospects. **Our ability to use our net operating loss carry forwards and certain other tax attributes may be limited.** Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change", generally defined as a greater than 50.0% change (by value) in its equity ownership over a three- year period, the corporation' s ability to use its pre- change net operating loss carryforwards and other pre- change tax attributes, such as research tax credits, to offset its post- change income may be limited or potentially significantly deferred compared to such ability in the absence of an "ownership change". The completion of the **Business Combination-merger of FinServ and Legacy Katapult and related transactions** may have triggered an "ownership change" limitation. We have not completed a formal study to determine if any "ownership changes" within the meaning of IRC Section 382 have occurred. If "ownership changes" within the meaning of Section 382 of the Code have occurred, and if we earn net taxable income, our ability to use our net operating loss carryforwards and other tax credits generated since inception to offset U. S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us and could require us to pay U. S. federal income taxes earlier than would be required if such limitations were not in effect. Similar rules and limitations may apply for state income tax purposes. could incur operational inefficiencies, competitive harm, legal liability, brand or reputational harm, or other adverse impacts on our business and financial results. In addition, regulation of AI / ML is rapidly evolving worldwide as legislators and regulators are increasingly focused on these powerful emerging technologies. The technologies underlying AI / ML and its uses are subject to a variety of laws and regulations, including intellectual property, data privacy and security, **consumer-customer** protection, competition, and equal opportunity laws, and are expected to be subject to increased regulation and new laws or new applications of existing laws and regulations. AI / ML is the subject of ongoing review by various U.S. governmental and regulatory agencies, and various U.S. states and other foreign jurisdictions are applying, or are considering applying, their platform moderation, cybersecurity, and data protection laws and regulations to AI / ML or are considering general legal frameworks for AI / ML. We Our platform and our internal systems rely on software that is highly technical and complex. In addition, our platform and our internal systems depend on the ability of such software to store, retrieve, manage and otherwise process immense amounts of data, including personal data. As a result, undetected errors, failures, bugs, or defects may be present in such software or occur in the future in such software, including open source software and other software we license in from third parties, especially when updates or new products or services are released. Any real or perceived errors, failures, bugs, defects, or outages in such software **may not be found until our customers use our platform and** could result in outages or degraded quality of service on our platform **or errors in our financial reporting or charges to our customers** that could adversely impact our business (including through causing us not to meet contractually required service levels), as well as negative publicity, loss of or delay in market acceptance

of our products and services, and harm to our brand or weakening of our competitive position. In such an event, we may be required, or may choose, to expend significant additional resources in order to correct the **problem error, failure, bug or defect**. Any real or perceived errors, failures, bugs, defects, or outages in the software we rely on could also subject us to liability claims, result in data security breaches or other security incidents, impair our ability to attract new customers, retain existing customers, or expand their use of our products and services, which would adversely affect our business, results of operations, financial condition, and prospects. **Our results depend on continued integration and support of our platforms, including our integration with direct merchants.** We depend on our merchant partners, which generally accept most major credit cards and other forms of payment, to present our platform as a payment option and to integrate our platform into their website or in their store, such as by featuring our platform on their websites or in their stores and at checkout. ~~We do not have any recourse against merchant partners when they do not feature our platform as a payment option.~~ The failure by our merchants to effectively present, integrate, and support our platform, or to effectively explain lease- to- own transactions to potential customers, would have a material and adverse effect on our business, results of operations, financial condition, and prospects. **In addition, as a result of user interface or design choices, a direct merchant could modify how our platform is presented as a payment option, including adjustment of the priority of positioning. The presentation and positioning of our platform by a direct merchant is up to the discretion of the merchant. A direct / waterfall may choose to position a competitor ahead of us, reduce the prominence or positioning of our platform, or remove our platform as a payment option. We may not have visibility that a change has been made until after the fact. Any change in our presentation or positioning with a direct merchant could have a material and adverse effect on our business, results of operations, financial condition, and prospects.** We depend on **KPay enabled third-party** merchants to continue to allow our customers to utilize our platform, **including our websites** and mobile app, to access and buy goods at their stores. **As a result** ~~We do not have contractual relationships with our third-party merchants, and as such~~ there can be no assurance that we will be able to continue to offer **our customers** access to any particular **KPay enabled third-party** merchant to our customers. The loss of our ability to offer our customers access to **KPay enabled third-party** merchants would have a material and adverse effect on our business, results of operations, financial condition, and prospects. In the ordinary course of business, we collect, receive, store, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, share and otherwise process a wide variety of data and information, including personal data and sensitive personal data, proprietary and confidential business data, trade secrets, and intellectual property. For example, we process the personal data, including sensitive personal data, of customers, including Social Security numbers. We are subject to numerous data privacy and security obligations, such as various laws, regulations, rules, standards and contractual obligations that govern the processing of personal data by us or by third parties on our behalf. In the United States, federal, state, and local governments have enacted numerous data privacy and security laws, regulations and rules including data breach notification laws, personal data privacy laws, and **customer-consumer** protection laws. For example, the Telephone Consumer Protection Act (“ TCPA ”) imposes specific requirements relating to marketing to individuals using technology such as telephones, mobile devices, and text messages. TCPA violations can result in significant financial penalties, including penalties or criminal fines imposed by the Federal Communications Commission or fines of up to \$ 1, 500 per violation imposed through private litigation or by state authorities. Class action suits are the most common method for private enforcement. We are also subject to the rules and regulations promulgated under the authority of the FTC, which regulates unfair or deceptive acts or practices, including with respect to data privacy and security. Moreover, the United States Congress has recently considered, and is currently considering, various proposals for more comprehensive data privacy and security legislation, to which we may be subject if passed. Data privacy and security are also areas of increasing state legislative focus and we are, or may in the future become, subject to various state laws and regulations regarding data privacy and security. For example, the CCPA broadly defines personal information, gives California residents expanded privacy rights and protections, and provides for civil penalties for violations and a private right of action for certain data breaches. The CCPA is indicative of a trend towards greater state- level regulation of data privacy and security in the U. S. A number of other states have enacted, or are considering enacting, comprehensive data privacy laws that share similarities with the CCPA. In addition, laws in all 50 U. S. states generally require businesses to provide notice under certain circumstances to customers whose personal data has been disclosed as a result of a data breach. For additional information on data privacy and security laws, regulations and rules we are, or may in the future become, subject to, see the section titled “ Business — Government Regulation. ” In addition, privacy advocates and industry groups have proposed, and may propose, data privacy and security standards with which we are legally or contractually bound to comply. For example, we may also be subject to the Payment Card Industry Data Security Standard (“ PCI DSS ”), which requires companies that process payment card data to adopt certain measures to ensure the security of cardholder information, including using and maintaining firewalls, adopting proper password protections for certain devices and software, and restricting data access. Noncompliance with PCI- DSS can result in significant penalties or liability, litigation, loss of access to major payment card systems, damage to our reputation, and revenue losses. We may also rely on vendors to process payment card data, and those vendors may be subject to PCI DSS, and our business may be negatively affected if our vendors are fined or suffer other consequences as a result of PCI DSS noncompliance. We also make public statements about our use and disclosure of personal data through our privacy policies, information on our website and press statements. Although we endeavor to comply with our public statements and documentation, we may at times fail to do so or be alleged to have failed to do so. The publication of our privacy policies and other statements that provide promises and assurances about data privacy and security can subject us to potential government or legal action if they are found to be deceptive, unfair or misrepresentative of our actual practices. Any concerns about our data privacy and security practices, even if unfounded, could damage our reputation and adversely affect our business. Increasingly, some aspects of our business may be reliant on our ability to have our products and services be accepted by or compatible with a third- party platform, and any inability to do so could negatively impact our business. As a result, we may be required to change the way we market our products. Any of these developments

could impair our ability to reach new or existing customers or otherwise negatively affect our operations. In addition, the CCPA grants California residents the right to opt- out of a business' s sharing of their personal information for targeted advertising purposes. Our obligations related to data privacy and security are quickly changing in an increasingly stringent fashion, creating some uncertainty as to the effective future legal framework. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or conflict among jurisdictions. Preparing for and complying with these obligations requires significant resources and may necessitate changes to our information technologies, systems, and practices and to those of any third parties that process personal data on our behalf. In addition, these obligations may require us to change our business model. Our business model materially depends on our ability to process personal data, so we are particularly exposed to the risks associated with the rapidly changing legal landscape. For example, we may be at heightened risk of regulatory scrutiny, and any changes in the regulatory framework could require us to fundamentally change our business model. Although we endeavor to comply with all applicable data privacy and security laws, regulations, rules, standards, and contractual obligations, we may at times fail (or be perceived to have failed) to do so. Moreover, despite our efforts, our personnel or third parties upon whom we rely may fail to comply with such obligations, which could negatively impact our business operations and compliance posture. For example, any failure by a third- party service provider to comply with applicable laws, regulations, rules, standards and contractual obligations could result in adverse effects, including inability to or interruption in our ability to operate our business and proceedings against us by governmental entities or others. If we fail, or are perceived to have failed, to address or comply with data privacy and security obligations, we could face significant consequences. These consequences may include, but are not limited to, government enforcement actions (e. g., investigations, fines, penalties, audits, inspections, and similar); litigation (including class claims; damages); additional reporting requirements and / or oversight; bans on processing personal data; and orders to destroy or not use personal data. Any of these events could have a material adverse effect on our reputation, business, or financial condition, including but not limited to: loss of customers; interruptions or stoppages in our business operations; interruptions or stoppages of data collection needed to train our algorithms; inability to process personal data or to operate in certain jurisdictions; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or revision or restructuring of our operations. We use vendors, such as our cloud computing web services provider, virtual card processing companies, and third- party software providers, in the operation of our platform. The satisfactory performance, reliability, and availability of our technology and our underlying network and infrastructure are critical to our operations and reputation and the ability of our platform to attract new and retain existing merchants and customers. **For example, Katapult Pay utilizes a third- party payment processor, the interruption of which could cause a decrease in the performance, reliability and availability of Katapult Pay. In addition, via Katapult Pay, certain leases are originated by our issuing bank partner and then disbursed to merchants via single- use virtual cards facilitated through our partnership with an issuer processor. This issuer processor issues single- use virtual cards through Sutton Bank, its issuing bank partner, which allow leases facilitated through our platform to be processed over the card network. Such leases facilitated through our platform can be used at merchants where we are not integrated at checkout, allowing consumers to complete purchases with virtual cards just as they would with a standard credit or debit card. In the event that our issuer processor or the issuing bank partner become unable or unwilling to facilitate the disbursements to merchants and we are unable to reach an agreement with another third- party partner, such loans would no longer be able to be facilitated through our Katapult Pay platform.** We also rely on these vendors to protect their systems, networks and facilities against damage or service interruptions from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses, cyber- attacks or other attempts to harm these systems, data security breaches or other security incidents, criminal acts, and similar events. If our arrangement with a vendor is terminated or if there is a lapse of service or damage to its systems, networks or facilities, we could experience interruptions in our ability to operate our platform. We also may experience increased costs and difficulties in replacing that vendor and replacement services may not be available on commercially reasonable terms, on a timely basis, or at all. Any interruptions or delays in our platform availability, whether as a result of a failure to perform on the part of a vendor, any damage to one of our vendor' s systems, networks or facilities, the termination of any of our third- party vendor agreements, software bugs or failures, our or our vendor' s error, natural disasters, terrorism, other man- made problems, or data security breaches or other security incidents, whether accidental or willful, or other factors, could harm our relationships with our merchants and customers and also harm our reputation. In addition, we source certain information from third parties. For example, our risk scoring model is based on algorithms that evaluate a number of factors and currently depend on sourcing certain information from third parties. In the event that any third- party from which we source information experiences a service disruption, whether as a result of maintenance, software bugs or failures, natural disasters, terrorism, other man- made problems, or data security breaches or other security incidents whether accidental or willful, or other factors, the ability to score and decision lease- to- own applications through our platform may be adversely impacted. Additionally, there may be errors contained in the information provided by third parties. This may result in the inability to approve otherwise qualified applicants through our platform, which may adversely impact our business by negatively impacting our reputation and reducing our transaction volume. To the extent we use or are dependent on any particular third- party data, technology, or software, we may also be harmed if such data, technology, or software becomes non- compliant with existing laws, regulations, rules or standards, becomes subject to third- party claims of intellectual property infringement, misappropriation, or other violation, or malfunctions or functions in a way we did not anticipate. Any loss of the right to use any of this data, technology, or software could result in delays in the provisioning of our products and services until equivalent or replacement data, technology, or software is either developed by us, or, if available, is identified, obtained, and integrated, and there is no guarantee that we would be successful in developing, identifying, obtaining, or integrating equivalent or similar data, technology, or software, which could result in the loss or limiting of our products, services, or features available in our products

or services. In addition, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage. These factors could prevent us from processing transactions or posting payments on our platform, damage our brand and reputation, divert the attention of our employees, reduce our revenue, subject us to liability, and cause customers or merchants to abandon our platform, any of which could have a material and adverse effect on our business, results of operations, financial condition, and prospects. **If major mobile application distribution channels change their standard terms and conditions in a manner that is detrimental to us, or suspend or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected. We currently cooperate with Apple's app store and major PRC-based Android app store to distribute the Katapult app to users. As such, the promotion, distribution and operation of our application are subject to such distribution platforms' standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. If these third-party distribution platforms change their terms and conditions in a manner that is detrimental to us, or refuse to distribute our application, or if any other major distribution channel with which we would like to seek collaboration refuses to collaborate with us in the future on commercially favorable terms, our business, financial condition and results of operations may be materially and adversely affected.** Data security breaches or other security incidents with respect to our information technology systems, networks or data, or those of third parties upon which we rely, could result in adverse consequences, including but not limited to regulatory investigations or actions, litigation, fines and penalties, disruptions of our business operations, reputational harm, loss of revenue or profits, and loss of customers. Cyber-attacks, malicious internet-based activity, and online and offline fraud are prevalent and continue to increase. These threats are becoming increasingly difficult to detect. These threats come from a variety of sources, including traditional computer "hackers," threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors. Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including cyber-attacks, that could materially disrupt our systems, networks and operations, supply chain, and ability to produce, sell and distribute our goods and services. The automated nature of our business and our reliance on digital technologies may make us an attractive target for, and potentially vulnerable to cyber-attacks. We and the third parties upon which we rely may be subject to a variety of evolving threats, including but not limited to: computer malware (including as a result of advanced persistent threat intrusions), malicious code (such as viruses and worms), social engineering (including phishing attacks), ransomware attacks, denial-of-service attacks (such as credential stuffing), personnel misconduct or error, supply-chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, adware, telecommunication failures, earthquakes, fires, floods, and other similar threats. Ransomware attacks, including by organized criminal threat actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Similarly, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties and infrastructure in our supply chain or our third-party partners' supply chains have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our information technology systems and networks (including our products or services) or the third-party information technology systems and networks that support us and our services. We are incorporated into the supply chain of a large number of companies worldwide and, as a result, if our products are compromised, a significant number of companies could be simultaneously affected. The potential liability and associated consequences we could suffer as a result of such a large-scale event could be catastrophic and result in irreparable harm. Cybersecurity risks may be heightened as a result of ongoing military conflicts such as military conflict between Russia and Ukraine and the related sanctions imposed by the United States and other countries or the ongoing **Israel / Hamas conflict** **conflicts in the Middle East**. Furthermore, future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems and networks could be negatively affected by vulnerabilities present in acquired or integrated entities' systems, networks and technologies. Any of the above identified or similar threats could cause a data security breach or other security incident. A data security breach or other security incident could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure, transfer, use or other processing of, or access to our, our customers', our vendors' or our merchants' confidential, proprietary, personal or other information. A data security breach or other security incident could disrupt our ability (and that of third parties upon whom we rely) to provide our platform, products, or services. We may expend significant resources in connection with investigating, mitigating or remediating, or modifying our business activities to protect against, actual or perceived data security breaches or other security incidents. Certain data privacy and security obligations may require us to implement and maintain specific security measures, as well as maintain industry-standard or reasonable security measures to protect our information technology systems and networks which contain confidential, proprietary, personal and other information. While we have implemented security measures designed to protect against data security breaches and other security incidents, there can be no assurance that these measures will be effective. We may be unable in the future to detect vulnerabilities in our information technology systems and networks (including our products or services) because such threats and techniques change frequently, are often sophisticated in nature, may not be detected until after a security incident has occurred, and may see their frequency increased and effectiveness enhanced, by the use of AI / ML. Despite our efforts to identify and remediate vulnerabilities, if any, in our information technology systems and networks (including our products or

services), our efforts may not be successful. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities. We may rely upon third- party service providers and technologies to operate critical business systems to process confidential, proprietary, personal and other information in a variety of contexts, including, without limitation, third- party providers of cloud- based infrastructure, virtual card processing, encryption and authentication technology, employee email, and other functions. We may share or receive confidential, proprietary, personal or other information with or from third parties. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. Due to applicable laws, regulations, rules, standards and contractual obligations, we may be held responsible for data security breaches or other security incidents attributed to our third- party service providers as they relate to the information we share with them. Any actual or perceived failure to comply with legal and regulatory requirements applicable to us, including those relating to data privacy and security, or any failure to protect the information that we collect from our customers and merchants, including personal information, from cyber- attacks, data security breaches or other security incidents, or any such actual or perceived failure by our originating bank partners, may result in, among other things, revocation of required licenses or registrations, loss of approved status, private litigation, regulatory or governmental investigations, administrative enforcement actions, sanctions, civil and criminal liability, and constraints on our ability to continue to operate. Applicable data privacy and security laws, regulations, rules, standards and contractual obligations may require us to notify relevant stakeholders of data security breaches and other security incidents. Such disclosures are costly, and the disclosure or the failure to comply with such requirements could lead to adverse consequences. If we (or a third party upon whom we rely) experience, or are perceived to have experienced, a data security breach or other security incident, or fail to make adequate or timely disclosures to the public, regulators or law enforcement agencies following any such event, we may experience adverse consequences. These consequences may include: interruptions to our operations (including availability of data), violation of applicable data privacy and security laws, regulations, rules, standards and contractual obligations; litigation (including class claims), damages, an obligation to notify regulators and affected individuals, the triggering of indemnification and other contractual obligations, government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and / or oversight; restrictions on processing personal and other sensitive data; negative publicity; reputational damage; loss of customers and ecosystem partners; monetary fund diversions; financial loss; and other similar harms. Additionally, our originating bank partners also operate in a highly regulated environment, and many laws and regulations that apply directly to our originating bank partners are indirectly applicable to us through our arrangements with our originating bank partners. Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. We cannot be sure that our insurance coverage will be adequate or sufficient to protect us from or to mitigate liabilities arising out of our data privacy and security practices, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims. **While we take precautions to prevent customer identity fraud, it is possible that identity fraud may still occur or has occurred, which may adversely affect the performance of the lease- to- own transactions facilitated through our platform.** There is risk of fraudulent activity associated with our platform, customers, and third parties handling customer information. Our resources, technologies, and fraud prevention tools may be insufficient to accurately detect and prevent fraud. We bear the risk of loss for lease- to- own transactions facilitated through our platform. The level of fraud related charge- offs on the lease- to- own transactions facilitated through our platform could be adversely affected if fraudulent activity were to significantly increase. We bear the risk of customer fraud in a transaction involving us, a customer, and a merchant, and we generally have no recourse to the merchant to collect the amount owed by the customer. Significant amounts of fraudulent cancellations or chargebacks and the potential cost of remediation could adversely affect our business or financial condition. High profile fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negative publicity, and the erosion of trust from our customers and merchants, and could materially and adversely affect our business, results of operations, financial condition, prospects, and cash flows. Our business depends on intellectual property and proprietary technology and information, the protection of which is crucial to the success of our business. We rely on a combination of patent, copyright, trademark, and trade secret laws in the United States, as well as license agreements, confidentiality procedures, non- disclosure agreements, and other contractual protections, to establish and protect our intellectual property and proprietary rights, including our proprietary technology, software, know- how, and brand. Although we take steps to protect our intellectual property and proprietary rights, we cannot be certain that the steps we have taken will be sufficient or effective to prevent the unauthorized access, use, copying, reverse engineering, infringement, misappropriation or other violation of our intellectual property and proprietary technology and information, including by third parties who may use our intellectual property or proprietary technology or information to develop services that compete with ours. We may not be able to register or enforce all of our trademarks and any of our trademarks or other intellectual property rights may be challenged by others. ~~In addition, we may be subject to claims by third parties that we have infringed, misappropriated or otherwise violated their intellectual property. These claims, regardless of their merit or our defenses, could be time- consuming and costly to defend, result in injunctions against us or the payment of damages by us, result in the diversion of significant operational resources and changes to our business model or result in ongoing royalty payments or significant settlement payouts. Our involvement in intellectual property disputes and any failure to adequately protect our intellectual property rights may cause our business, operating results and financial condition to suffer.~~ Further, we license certain technology, software, data and other intellectual property from third parties that are important to our business. Our business may suffer if any current or future licenses or other grants of rights to us terminate, if the licensors (or other applicable counterparties) fail to abide by the terms of the license or other applicable agreement, if the licensors fail to enforce the licensed intellectual property against infringing third parties or if the licensed intellectual property rights are found to be invalid or unenforceable. **We have in the past, and may in**

the future, be accused of infringing intellectual property rights of third parties which may materially and adversely affect our business, financial condition, and results of operations. Third parties may claim that the technology used in the operation of our business infringes upon their intellectual property rights. For example, on September 30, 2024, FlexShopper filed a complaint against us in the United States District Court for the Eastern District of Texas Marshall Division. The complaint alleges infringement of certain patents referenced in the complaint, and seeks, among other relief, injunctive relief and monetary damages (including attorneys' fees) and we cannot be certain of the ultimate outcome of these legal proceedings. If FlexShopper prevails in this ongoing litigation, we could be enjoined or be ordered to pay significant damages, either of which would have a material and adverse impact on our business. Even if we ultimately prevail in the FlexShopper litigation or other such litigation, this type of litigation is time- consuming and costly to defend, resulting in the diversion of significant operational resources and potential changes to our business model. Our involvement in intellectual property disputes and any failure to adequately protect our intellectual property rights may cause our business, operating results and financial condition to suffer. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. The possibility of intellectual property claims against us increases as we continue to grow. Such claims, with or without merit, may result in our expenditure of significant financial and management resources, injunctions against us or payment of damages. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non- infringing technology, which could require significant effort and expense. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims. The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event, defending against these claims could be both costly and time- consuming and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings could cause us to pay damages, as well as legal and other costs, limit our ability to conduct business or require us to change the manner in which we operate. Our business is subject to the requirements of various federal, state and local laws and regulations, which can require significant compliance costs and expose us to government investigations, significant additional costs, fines or other monetary penalties or settlements, and compliance- related burdens.

Our business is subject to extensive federal, state and local laws and regulations and an increased risk of regulatory actions as a result of the highly regulated nature of our industry and the focus of state and federal enforcement agencies on the lease- to- own industry in particular. Any adverse change in applicable laws or regulations, the passage of unfavorable new laws or regulations, or the manner in which any applicable laws and regulations are interpreted or enforced could dictate changes to our business practices that may be materially adverse to the Company. Further, our transactions are subject to various federal and state laws and regulations which may result in significant compliance costs as well as expose us to litigation. In particular, our rental- purchase transactions and the customer- facing operations related thereto, such as collections and marketing, are subject to various other federal, state and / or local consumer protection laws. These laws, as well as the rental- purchase statutes under which we operate, provide various remedies in connection with violations, including restitution and other monetary penalties and sanctions which in certain circumstances can be significant. We cannot determine with any degree of certainty whether any new laws or regulations will be enacted, or whether government agencies will initiate new or different interpretations of existing laws. The impact of new laws and regulations, or modifications by regulators concerning the interpretation or enforcement of existing laws, on our business is not known; however, any such changes could materially and adversely impact our business. The laws and regulations applicable to our operations are subject to agency, administrative and / or judicial interpretation. Some of these laws and regulations have been enacted only recently and / or may not yet have been interpreted or may be interpreted infrequently. As a result of non- existent or sparse interpretations, ambiguities in these laws and regulations may create uncertainty with respect to the requirements of any applicable laws and regulations. Any ambiguity under a law or regulation to which we are subject may lead to regulatory investigations, governmental enforcement actions and private causes of action, such as class action lawsuits, with respect to our compliance with such laws or regulations. Federal and state agencies have increased their focus on consumer financial products and services. State law enforcement agencies and regulators appear to have increased their scrutiny of entities operating within the personal property rental- purchase, or " lease- to- own ", industry. For example, in July 2023, the Consumer Financial Protection Bureau filed a case in federal district court in Utah against Snap Finance alleging, in summary, that certain rent- to- own transactions were credit transactions falling under federal law. Further, the California Department of Financial Protection and Innovation (" DFPI ") has issued subpoenas and is conducting investigations into practices of entities operating within the personal property rental- purchase industry. Similarly, state attorneys general also appear to have increased their scrutiny of the industry. As of the date of this filing, the Company has not received investigatory demands from California DFPI or state attorneys general. However, there can be no assurance that the Company will not be included in future actions of the same or similar nature and, if it is, that it would not lead to an enforcement action, consent order, or substantial costs, including legal fees, fines, penalties, and remediation expenses. For information on data privacy and security laws, regulations, rules, standards and contractual obligations we are, or may in the future become, subject to, and the associated risks to our business, see the section titled " Risk Factors — Risks Relating to Our Technology and Our Platform — We are subject to stringent and changing laws, regulations, rules, standards and contractual obligations related to data privacy and security, which could increase the cost of doing business, compliance risks and potential liability and otherwise negatively affect our operating results and business. " The application of indirect taxes, such as sales tax, continues to be a complex and evolving issue, particularly with respect to the lease- to- own industry generally and our virtual

lease- to- own business more specifically. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of the lease- to- own industry and e- commerce and, therefore, in many cases it is not clear how existing statutes apply to our business. In addition, governments are increasingly looking for ways to increase revenues, which has resulted in discussions about tax reform and other legislative action to increase tax revenues, including through indirect taxes. This also may result in other adverse changes in or interpretations of existing sales, income and other tax regulations. Further, ~~we our virtual lease- to- own is a new technology application and~~ may fail to allocate sales tax ~~correctly for every transaction appropriately for each and every jurisdiction~~ which could result in over- reporting or under- reporting revenue and sales tax expense . **Our auditors have issued a going concern opinion, and we will not be able to achieve our objectives and will have to cease operations if we cannot refinance our indebtedness and adequately fund our operations. We believe that we will not have sufficient cash available to pay off our existing indebtedness upon maturity. As a result, our auditors issued a going concern opinion in connection with the audit of our financial statements for the fiscal year ended December 31, 2024, which means that there is substantial doubt that we can continue as an ongoing business for the next 12 months. The inclusion of an explanatory paragraph in the audit opinion regarding substantial doubt about our ability to continue as a going concern and our lack of cash resources may materially adversely affect our share price and our ability to raise new capital or to enter into critical contractual relationships with third parties. While we intend to refinance our indebtedness, there can be no assurance that we will be able to secure such financing or adequately fund our operations, and we may be forced to liquidate our assets or discontinue our operations. The values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements. Our financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should we be unable to continue as a going concern. If we cannot continue as a going concern, our stockholders would likely lose most, if not all, of their investment in us .** We are required to comply with a variety of reporting, accounting and other rules and regulations. As a public reporting company subject to the rules and regulations established from time to time by the SEC and Nasdaq, we are required to, among other things, establish and periodically evaluate procedures with respect to our disclosure controls and procedures. In addition, as a public company, we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes- Oxley Act of 2002 so that our management can certify, on an annual basis, that our internal control over financial reporting is effective. As such, we maintain a system of internal control over financial reporting, but there are limitations inherent in internal control systems. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be appropriate relative to their costs. Furthermore, compliance with existing requirements is expensive and we may need to implement additional finance and accounting and other systems, procedures and controls to satisfy our reporting requirements. If our internal control over financial reporting is determined to be ineffective, such failure could cause investors to lose confidence in our reported financial information, negatively affect the market price of our common stock, subject us to regulatory investigations and penalties, and adversely impact our business and financial condition. **We previously identified Control control deficiencies that were initially identified in 2020 in connection with the audit of our financial statements for the years ended December 31, 2019 and 2018 and in the aggregate constituted material weaknesses , for which we implemented certain remediation measures . In connection with This remediation is now complete. However, we may identify additional material weaknesses in the audit future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements . If we fail to remediate any material weaknesses for- or if we otherwise fail to establish the fiscal years ended December 31, 2022 and maintain effective 2021, our independent registered public accounting firm noted these control deficiencies in the design and implementation of our internal control over financial reporting and disclosure controls and procedures, our ability to accurately and timely report our financial results could be adversely affected .** A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Our ~~evaluation was based on the Committee of Sponsoring Organizations of the Treadway Commission (“ COSO ”) Internal Control — Integrated Framework (2013). Additional control issues were discovered during the preparation of our consolidated financial statements for the year ended December 31, 2023. We determined that our revenue and sales tax payable were materially misstated in certain prior periods. Our conclusion was based on the Company’ s determination that it miscalculated its sales tax payable related to certain customer lease payments going back multiple years. The Company performed an assessment of its sales tax liabilities across all jurisdictions for potential additional exposure and determined there was an overstatement of rental revenue and an understatement of sales tax payable included in accrued liabilities. As a result of the foregoing conclusion, we determined that our previously issued financial statements included in the Annual Report on Form 10- K for the year ended December 31, 2022 and the relevant quarterly periods and filings discussed below in the risk factor “ We face risks related to the restatement of our previously issued consolidated financial statements and financial information as of and for the fiscal year ended December 31, 2022, as well as for the interim financial periods for 2022 and 2023, which may adversely impact our business ” should no longer be relied upon and have been restated. These control deficiencies relate related to (1) an insufficient number of personnel with an appropriate level of generally accepted accounting principles (“ GAAP ”) knowledge and experience to create the proper control environment for effective internal control over financial reporting and to ensure that oversight processes and procedures in applying nuanced guidance to complex accounting transactions for financial reporting are adequate, and (2) a lack of controls in place to review journal entries and account reconciliations, reconcile journal entries to underlying support and evaluate if journal entries are in compliance with GAAP before the entries are manually posted . These, were initially identified in 2020 and in the aggregate constituted material weaknesses were not remediated as . In connection with the audit of our financial statements for the fiscal years ended~~

December 31, 2022 and 2021, our independent registered public accounting firm noted these control deficiencies in the design and implementation of our internal control over financial reporting. Additional control issues were discovered during the preparation of our consolidated financial statements for the year ended December 31, 2023 and have not been remediated as, which resulted in material misstatements of our revenue and sales tax payable in certain prior periods. As a result, we determined that our previously issued financial statements included in the filing of this Annual Report on Form 10-K for the year ended December 31, 2022 and the relevant quarterly periods and filings discussed below in the risk factor “ — We face risks related to the restatement of our previously issued consolidated financial statements and financial information as of and for the fiscal year ended December 31, 2022, as well as for the interim financial periods for 2022 and 2023 — As part of, which may adversely impact our plan business ” should no longer be relied upon and have been restated. We subsequently designed and implemented controls to remediate these — the material weaknesses, we including controls to ensure journal entries and reconciliations are performing a full review — reviewed by the appropriate person with the necessary knowledge of U our internal control procedures. We S. GAAP to ensure reconciliations have implemented — been properly performed, reconciliations and plan to continue to implement journal entries have appropriate supporting documentation, new controls and new processes journal entries are properly recorded. We cannot Although management has determined that we have remediated such material weaknesses as of December 31, 2024, there can be no assurance — assurance you that the measures that we have taken, — and that or will take will be entirely taken, to remediate these material weaknesses will, in fact, remedy the material weaknesses or will be sufficient to prevent future additional material weaknesses from occurring in the future or. — We also cannot assure you that we will not experience deficiencies in have identified all of our existing material weaknesses. When evaluating our internal control controls over financial reporting, and procedures. If we are may identify material weaknesses that we may not be able to comply remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. If we are unable to remediate our existing material weakness or identify additional material weaknesses and are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if we or our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting once we are no longer an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In addition to the deficiencies in internal control over financial reporting that were initially identified identify in 2020, subsequent testing by us or our independent registered public accounting firm, which has not performed an audit of our internal control over financial reporting, may reveal additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. To comply with Section 404, we expect could fail to meet our reporting obligations or they could result in material misstatements of our incur substantial cost, expend significant management time on compliance-related issues and hire additional accounting, financial statements, and internal audit staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, we could also be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources. Any failure to maintain effective disclosure controls and procedures or internal control over financial reporting could have an adverse effect on our business and operating results, and cause a decline in the price of our common stock. We face risks related to the restatement of our previously issued consolidated financial statements and financial information as of and for the fiscal year ended December 31, 2022, as well as for the interim financial periods for 2022 and 2023, which may adversely impact our business. As described in our Current Report on Form 8-K filed with the SEC on April 2, 2024, during the preparation of our consolidated financial statements for the year ended December 31, 2023, we determined that due to the adjustment required to rental revenue and sales tax payable included in accrued liabilities, our previously issued financial statements described below were materially misstated. As a result of the above, we determined that our previously issued financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2022, our unaudited condensed consolidated financial statements included in the Quarterly Reports on Form 10-Q for the quarterly periods within that year, as well as the unaudited condensed consolidated financial statements included in the Quarterly Reports on Form 10-Q for the quarterly periods within the year ended December 31, 2023 should no longer be relied upon and have been restated. As a result of the restatement, we are subject to a number of additional risks and uncertainties which may affect investor confidence in the accuracy of our financial disclosures and may raise reputational issues for our business. We expect to continue to face many risks and challenges related to the restatement, including the risk that the processes undertaken to effect the restatement may not have been adequate to identify and correct all errors in our historical financial statements and, as a result, we may discover additional errors and our financial statements remain subject to the risk of future restatement. We are also at risk of potential litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, or other claims arising from the restatement. As of the date of this Annual Report, we are not aware of any such disputes arising out of the restatement. We cannot ensure that all of the risks described above will be eliminated or that general reputational harm will not be caused due to the restatement. If one or more of the foregoing risks or challenges persist, our business, operations and financial condition are likely to be materially and adversely affected. Because we were unable to file this our Form 10-K for the year ended December 31, 2023 with the SEC on a timely basis, we will not be eligible to register the offer and sale of our securities using a registration statement on Form S-3 until we have timely filed all periodic reports required under the Exchange Act for one year. Should we wish to register the

offer and sale of our securities to the public prior to the time we are eligible to use Form S-3, we would be required to file a registration statement on Form S-1 and have it reviewed and declared effective by the SEC. Doing so would likely take significantly longer than filing a registration statement on Form S-3 and increase our transaction costs, making it more difficult to execute any such transaction successfully and potentially harming our financial condition. **We will regain eligibility to register securities using a registration statement on Form S-8 beginning on June 1, 2025.** Furthermore, Under SEC regulations, our failure to timely file our periodic reports with the SEC resulted in the suspension of the availability of our Form S-8 for issuances of shares underlying equity awards subject to these plans. **With the filing of our Form 10-K on April 24, 2024, we regained compliance and our ability to use Form S-8. Although we are currently in compliance, we could fail to comply with these requirements again in the future, in which case we would lose our ability to use Form S-8 and our employees would not be permitted to exercise any outstanding options for unrestricted shares of our common stock and we would be unable to grant other equity awards under our Form S-8 until such time that we are deemed to have filed all reports and other materials required to be filed under the Exchange Act following any such future failure to timely file.** We believe our filing of this Form 10-K will result in our regained compliance and ability to use Form S-8. We are not in compliance with Nasdaq's requirements for continued listing, and if Nasdaq does not concur that we have **previously** adequately remedied our non-compliance with applicable listing rules, our common stock may be delisted from trading on the Nasdaq Global Market, which could have a material adverse effect on us and our stockholders. On April 18, 2024, we received a deficiency letter **letters** from Nasdaq indicating that, as a result of not filing this Form 10-K in a timely manner, we were not in compliance with Nasdaq Listing Rule 5250 (c) (1) for continued listing on the Nasdaq Global Market. The deficiency letter indicated that we have until June 17, 2024 to regain compliance or submit a plan to regain compliance with Nasdaq's continued listing standards; however, we believe our filing of this Form 10-K will result in our regained compliance with Nasdaq's continued listing standards and has eliminated the need to submit such a compliance plan. Although we **have resolved these deficiencies and** believe that, as of our filing of this Form 10-K, we are currently in compliance with Nasdaq's continued listing requirements, we could fail to comply with these requirements again in the future. In that case, we would receive additional deficiency letters from Nasdaq and our common stock could be delisted from trading on the Nasdaq Global Market, which could severely limit the liquidity of our common stock and materially adversely affect the price of our common stock. ~~securities.~~ In the event our common stock is delisted from Nasdaq, such a delisting would likely have a negative effect on the price of our securities, including our common stock, and would impair your ability to sell or purchase our securities when you wish to do so. In addition, in the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow any of our securities to become listed again, stabilize the market price or improve the liquidity of our securities or prevent future non-compliance with Nasdaq's listing requirements. If Nasdaq delists our securities from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including: • a limited availability of market quotations for our securities; • reduced liquidity for our securities; • a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities; • a limited amount of news and analyst coverage; and • a decreased ability to issue additional securities or obtain additional financing in the future. The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." Since our common stock and public warrants are listed on the Nasdaq, they are covered securities. Although the states are preempted from regulating the sale of its securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. If we are no longer listed on the Nasdaq, our securities would not be covered securities and it would be subject to regulation in each state in which it offers its securities, including in connection with the initial business **combination.** Continued developments in U. S. tax reform and changes to tax laws and rates in other jurisdictions where we do business could adversely affect our results of operations and cash flows. It is also possible that provisions of U. S. tax reform could be subsequently amended in a way that is adverse to us. In addition, we may undergo tax audits in various jurisdictions in which we operate. Although we believe that our income tax provisions and accruals are reasonable and in accordance with **U. S. GAAP generally accepted accounting principles in the United States,** and that we prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits and any related litigation, could be materially different from our historical income tax provisions and accruals. The results of a tax audit or litigation could materially affect our operating results and cash flows in the periods for which that determination is made. In addition, future period net income may be adversely impacted by litigation costs, settlements, penalties and interest assessments. We are subject to legal proceedings and claims from time to time that may seek material damages or otherwise may have a material adverse effect on our business. ~~The costs we incur in defending ourselves or associated with settling any of these proceedings, as well as a material final judgment or decree against us, could materially adversely affect our financial condition by requiring the payment of the settlement amount, a judgment or the posting of a bond and / or such matters could otherwise materially and adversely impact our business.~~ We are subject to legal proceedings and claims from time to time that may seek material damages or otherwise may have a material adverse effect on our business. For example, in April 2021, Daiwa Corporate Advisory Services filed a complaint against us for breach of contract with respect to transactions in connection with our merger. In addition, in August 2021, a putative securities class action complaint was filed against us and certain of our officers. These cases are still pending. See **"Commitments and Contingencies" in Note 10 to our Consolidated Financial Statements included in Part II, Item 8 of Note 13- Commitments and Contingencies** in this Annual Report on Form 10-K for more information. The costs we incur in defending ourselves or

associated with settling any of these proceedings, as well as a material final judgment or decree against us, could materially adversely affect our financial condition by requiring the payment of the settlement amount, a judgment or the posting of a bond and / or such matters could otherwise materially and adversely impact our business, including resulting in additional dilution if we are obligated to issue shares to settle all or a portion of such legal proceedings. In addition, others in our industry have defended class action lawsuits alleging various regulatory violations and have paid material amounts to settle such claims. If we are named in any such class action lawsuits or other legal proceedings, significant settlement amounts or final judgments could materially and adversely affect our liquidity and capital resources. To attempt to limit costly and lengthy customer, employee and other litigation, including class actions, we require our customers and employees to sign arbitration agreements, including class action waivers. In addition to opt- out provisions contained in such agreements, recent judicial and regulatory actions have attempted to restrict or eliminate the enforceability of such agreements and waivers. If we are not permitted to use arbitration agreements and / or class action waivers, or if the enforceability of such agreements and waivers is restricted or eliminated, we could incur increased costs to resolve legal actions brought by customers, employees and others, as we would be forced to participate in more expensive and lengthy dispute resolution processes. The global economy, including credit and financial markets, has experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, increases in inflation rates, higher interest rates and uncertainty about economic stability. For example, ~~in March 2023 a global banking crisis led to significant volatility in the capital markets. Similarly,~~ the ongoing military conflicts between ~~Israel and Hamas and~~ Russia and Ukraine ~~and in the Middle East~~ have had, and are expected to continue to have, global economic consequences. Any such volatility and disruptions may have adverse consequences on us or the third parties on whom we rely. If the equity and credit markets deteriorate, including as a result of political unrest or war, it may make any necessary debt or equity financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. Increased inflation rates can adversely affect us by increasing our costs, including labor and employee benefit costs. In addition, higher inflation could also adversely affect discretionary spending for non- prime customers, which could reduce demand for our products and services. Any significant increases in inflation and related increase in interest rates could have a material adverse effect on our business, results of operations and financial condition. Certain elements of our cost structure are largely fixed in nature. ~~Customer~~ **Consumer** spending remains uncertain, which makes it more challenging for us to maintain or increase our operating margins. The competitive environment in our industry and increasing price transparency means that the focus on achieving efficient operations is greater than ever. As a result, we must continuously focus on managing our cost structure. Failure to manage our overall cost of operations, labor and benefit rates, advertising and marketing expenses, operating leases, data costs, payment processing costs, cost of capital, or indirect spending could materially adversely affect our profitability. Negative publicity about us or our industry **could adversely affect our business, results of operations, financial condition, and prospects. Negative publicity about us or our industry**, including the transparency, fairness, user experience, quality, and reliability of our platform or lease- to- own platforms in general, effectiveness of our risk model, our ability to effectively manage and resolve complaints, our data privacy and security practices, litigation, regulatory activity, misconduct by our employees, funding sources, service providers, or others in our industry, the experience of customers and investors with our platform or services or lease- to- own platforms in general, even if inaccurate, could adversely affect our reputation and the confidence in, and the use of, our platform, which could harm our reputation and cause disruptions to our platform. For instance, in October 2020, a data breach broker purported to offer customer records from a number of companies, including us, for sale on a hacker forum. Although we determined with third party firms and our internal team that the compromised data did not include confidential proprietary or personal data, we cannot guarantee that this publicity or any similar publicity in the future will not have a negative effect on our business or reputation. Any such reputational harm could further affect the behavior of customers, including their willingness to utilize lease- to- own programs through our platform or to make payments on their leases. As a result, our business, results of operations, financial condition, and prospects would be materially and adversely affected. We are exposed to many types of operational risk, including the risk of misconduct and errors by our employees, vendors, and other service providers. Our business depends on our employees, vendors, and service providers to process a large number of increasingly complex transactions, including transactions that involve significant dollar amounts and lease- to- own transactions that involve the use and disclosure of personally identifiable information and business information. We could be adversely affected if transactions were redirected, misappropriated, or otherwise improperly executed, personal and business information was disclosed to unintended recipients, or an operational breakdown or failure in the processing of other transactions occurred, whether as a result of human error, a purposeful sabotage or a fraudulent manipulation of our operations or systems. In addition, the manner in which we store and use certain personal data and interact with customers and merchants through our platform is governed by various federal and state laws. If any of our employees, vendors, or service providers take, convert, or misuse funds, documents, or data, or fail to follow protocol when interacting with customers and merchants, we could be liable for damages and subject to regulatory actions and penalties. We could also be perceived to have facilitated or participated in the illegal misappropriation of funds, documents, or data, or the failure to follow protocol, and therefore be subject to civil or criminal liability. For example, our operations are subject to certain laws generally prohibiting companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, such as the U. S. Foreign Corrupt Practices Act, and similar anti- bribery laws in other jurisdictions. Violations by our employees, contractors or agents of policies and procedures we have implemented to ensure compliance with these laws could subject us to civil or criminal investigations in the U. S. and in other jurisdictions, could lead to substantial civil and criminal, monetary and non- monetary penalties, and related shareholder lawsuits, could cause us to incur significant legal fees, and could damage our reputation. It is not always possible to identify and deter misconduct or errors by employees, vendors, or service providers, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or

losses. Any of these occurrences could result in our diminished ability to operate our business, potential liability to customers and merchants, inability to attract future customers and merchants, reputational damage, regulatory intervention, and financial harm, which could negatively impact our business, results of operations, financial condition, and prospects. **The loss of the services of any of our leadership team could materially and adversely affect our business, results of operations, financial condition, and prospects.** The experience of our leadership team are valuable assets to us. Our leadership team has significant experience in the financial technology industry and would be difficult to replace. Competition for senior executives in our industry is intense, and we may not be able to attract and retain qualified personnel to replace or succeed any of our leaders. ~~In 2023, we reduced management redundancies as part of broader cost-cutting measures, which could make finding a replacement for any outgoing team members more difficult.~~ Failure to retain or recruit **leadership** team members could have a material adverse effect on our business, results of operations, financial condition, and prospects. Our future success depends on our ability to identify, hire, develop, motivate, and retain highly qualified personnel for all areas of our organization, in particular, a highly experienced sales force, data scientists, and engineers. Competition for these types of highly skilled employees, is extremely intense. Trained and experienced personnel are in high demand and may be in short supply. Many of the companies with which we compete for experienced employees have greater resources than we do and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training our employees, which increases their value to competitors that may seek to recruit them. We may not be able to attract, develop, and maintain the skilled workforce necessary to operate our business, and labor expenses may increase as a result of a shortage in the supply of qualified personnel. If we are unable to maintain and build our highly experienced sales force, or are unable to continue to attract experienced engineering and technology personnel, as well as other qualified employees, our business, results of operations, financial condition, and prospects could be materially and adversely affected. Additional Risks Relating to Ownership of Company Securities **The price Our failure to meet the continued listing requirement of Nasdaq our securities may change significantly in the future and stockholders could lose all or part of their investment as a result in delisting of our securities, which.....** **Stock Split on the per share price.** The trading price of our common stock and public warrants is likely to be volatile and the trading price of our securities have experienced extreme volatility and a significant decline. The securities markets have experienced significant volatility as macroeconomic conditions, such as high inflation and the ongoing geopolitical conflicts including those between Russia and Ukraine and in the Middle East. Market volatility, as well as general economic, market, or political conditions, could reduce the market price of shares of our common stock regardless of our operating performance. Our operating results have been below and could continue to be below the expectations of public market analysts and investors due to a number of potential factors, including: • results of operations that vary from the expectations of securities analysts and investors; • results of operations that vary from those of our competitors; • factors affecting ~~customer~~ **consumer** spending that are not under our control; • changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors; • declines in the market prices of stocks generally; • strategic actions by us or our competitors; • announcements by us or our competitors of significant contracts, acquisitions, joint ventures, other strategic relationships or capital commitments; • any significant change in our management; • changes in general economic or market conditions or trends in our industry or markets; • changes in business or regulatory conditions, including new laws or regulations or new interpretations of existing laws or regulations applicable to our business; • future sales of our common stock or other securities; • investor perceptions or the investment opportunity associated with our common stock relative to other investment alternatives; • the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC; • litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors; • guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance; • the development and sustainability of an active trading market for our stock; • actions by institutional or activist stockholders; • changes in accounting standards, policies, guidelines, interpretations or principles; and • other events or factors, including those resulting from natural disasters, geopolitical conflict (including the conflict involving Russia and Ukraine and the ~~Israel-Hamas conflict~~ **conflicts in the Middle East**), pandemics (including COVID- 19), acts of terrorism or responses to these events. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock or public warrants is low. **We Our executive officers have limited experience in the management of a publicly traded company.** Their limited experience in dealing with the increasingly complex laws pertaining to public companies could be a disadvantage in that it is possible that an increasing amount of our management's time may be devoted to these activities which will **continue to incur significant costs as a** result in less time being devoted to our management and growth. We may not have adequate personnel with the appropriate level of **operating as** knowledge, experience and training in the accounting policies, practices or internal control over financial reporting required of public companies in the U. S. The development and implementation of the standards and controls necessary for us to achieve the level of accounting standards required of a public company , **and our management** in the U. S. may require costs greater than expected. It is possible that we will **continue** be required to **devote substantial time** expand our employee base and hire additional employees to **managing new compliance initiatives** support our operations as a public company which may increase our operating costs in future periods. As a public company, we will continue to incur significant legal, accounting and other expenses that we did not incur as a private company, and these expenses may increase **after now that** we are no longer an emerging growth company, as defined in Section 2 (a) of the Securities Act of 1933, as amended. The Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel will need to continue to devote a substantial amount of time to these compliance initiatives. The increased costs will impact our financial position. These rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we

may be forced to accept reduced policy limits, higher retention levels, or incur substantially higher costs to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. Because there are no current plans to pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it. We intend to retain future earnings, if any, for future operations, expansion and debt repayment and there are no current plans to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on shares of our common stock will be at the sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions, implications on the payment of dividends by us to our stockholders or by its subsidiaries to it and such other factors as our board of directors may deem relevant. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness that we incur. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it. If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline. The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We will not control these analysts. In addition, some financial analysts may have limited expertise with our model and operations. Furthermore, if one or more of the analysts who cover us downgrade our stock or industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on it regularly, we could lose visibility in the market, which in turn could cause its stock price or trading volume to decline. **Future sales, or potential future sales, by us or our stockholders in the public market could cause the market price for our common stock to decline.** The sale of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that it deems appropriate. ~~The lock-up agreement contained in the Amended and Restated Registration Rights Agreement (the "A & R RRA") with us expired and the shares of common~~ **Common** stock held by the stockholders party to the A & R RRA are eligible for resale which could result in the market price of shares of our common stock dropping significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our common stock or other securities. ~~In addition, common~~ stock reserved for future issuance under our equity incentive plans will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements, lock-up agreements and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144, as applicable. ~~The~~ **As of December 31, 2024, the** aggregate number of shares of our common stock ~~initially~~ reserved for future issuance under our 2021 equity incentive plan was ~~517-639, 467, which consists of (1) initial reserve under our 2021 equity incentive plan of 357, 286 and, (2) on June 6, 2023, our 2021 equity incentive plan as was amended to increase the authorized shares of common stock reserved for issuance by 160, 000, (3) on January 1, 2024, 122, 181 shares of common stock were authorized for issuance in accordance with the amended plan. As of December 31, 2023-2024, there were 103-120, 312-532 shares of common stock available for future issuance under the our~~ 2021 equity incentive plan. In the future, we may also issue securities in connection with investments or acquisitions. The amount of shares of common stock issued in connection with an investment or acquisition could constitute a material portion of our then- outstanding shares of common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to our stockholders. Warrants are exercisable for our common stock, which would increase the number of shares eligible for future resale in the public market and result in dilution to our existing stockholders. As of December 31, ~~2023-2024~~, we had outstanding warrants to purchase an aggregate of 673, 300 shares of our common stock. The warrant agreement, dated as of October 31, 2019, between the Company and FinServ Acquisition Corp. entitles each warrant holder thereof to purchase ~~one (1) / 25th of a~~ share of our common stock at a price of \$ ~~11-287~~. 50 per whole share, subject to adjustment. Warrants may be exercised only for a whole number of shares of common stock. In addition, on March 6, 2023, in connection with the 15th amendment of our Credit Agreement, we issued a warrant to purchase up to 80, 000 shares of our common stock at an exercise price of \$ 0. 25 per share, which vested on September 6, 2023. ~~On~~ **Under the same warrant, on December 5, 2023, we granted-issued a warrant to purchase** an additional 80, 000 shares of our common stock at an exercise price of \$ 0. 25 per share which ~~are~~ **vested on March 6, 2024**. To the extent such warrants are exercised, additional shares of our common stock will be issued, which will result in dilution to the then existing holders of our common stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our common stock. ~~The JOBS Act permits~~ **We will likely incur increased costs and devote additional management time to public company reporting and compliance obligations as a result of exiting** "emerging growth companies company" ~~like us~~ **status. We no longer qualify as an emerging growth company under the Jumpstart Our Business Startups Act (our eligibility to qualify as an emerging growth company ended on December 31, 2024).** **While we were an emerging growth company, we were able** to take advantage of ~~certain~~ **exemptions from various reporting requirements that are** applicable to other public companies that are not emerging growth companies. ~~We qualify as, including~~ **reduced disclosure obligations regarding executive compensation in our periodic reports and "proxy statements and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. Now that we have exited** emerging growth company **status and** "as defined in Section 2 (a) (19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, which we refer ~~are no longer eligible~~ to as the "JOBS Act." As such, we will take advantage of ~~certain~~ **the**

corresponding exemptions from various, we expect our management and other personnel to devote more time and the Company to incur additional costs to comply with the more stringent reporting requirements applicable to other public companies that are not emerging growth companies. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time consuming and costly. We cannot predict for or estimate the amount of additional costs we may incur as a result of our exit from long as it continues to be an emerging growth company status, or the timing of the incurrence of such costs. Further, in the event that in the future we were to no longer be eligible to qualify as a “smaller reporting company,” and / or if we become subject to the requirements applicable to accelerated filers or large accelerated filers, including complying with (i) the exemption from the auditor attestation requirements of with respect to internal control over financial reporting under Section 404 of the Sarbanes- Oxley Act, (ii) the exemptions from say- on- pay, say- on- frequency and say- on- golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements. As a result, our compliance burdens and expenses stockholders may not have access to certain information they deem important. We will further increase remain an emerging growth company until the earliest of (i) December 31, 2024, (b) in which we have total annual gross revenue of at least \$ 1. 235 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that are held by non- affiliates exceeds \$ 700 million as of the last business day of our prior second quarter, and (ii) the date on which we have issued more than \$ 1. 0 billion in non- convertible debt during the prior three- year period. In addition, Section 107 of and as a general matter, we expect the foregoing public company rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance. Our management and the other JOBS Act also provides personnel will need to devote a substantial amount of time to ensure that we an emerging growth company can take advantage of the exemption from complying --- comply with all of these requirements and to keep pace with new regulations, or revised accounting standards provided in Section 7 (a) (2) (B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise we may fall apply to private companies. The JOBS Act provides that a company can elect to opt out of compliance the extended transition period and comply with the requirements that apply to non- emerging growth companies, but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an and risk becoming subject to litigation emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our or financial statements with being delisted, among another --- other public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential consequences differences in accounting standards used. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for common stock and our stock price may be more volatile. Anti- takeover provisions in our organizational documents could delay or prevent a change of control. Certain provisions of our Amended and Restated Charter and Amended and Restated Bylaws have an anti- takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders. These provisions provide for, among other things: • the ability of our board of directors to issue one or more series of preferred stock; • advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings; • certain limitations on convening special stockholder meetings; • limiting the ability of stockholders to act by written consent; and • our board of directors have the express authority to make, alter or repeal our Amended and Restated Bylaws. These anti- takeover provisions could make it more difficult for a third party to acquire us, even if the third party’ s offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire. Our Amended and Restated Charter designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders. Our Amended and Restated Charter provides that, subject to limited exceptions, any (1) derivative action or proceeding brought on behalf of us, (2) action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder or employee to us or our stockholders, (3) action asserting a claim arising pursuant to any provision of the DGCL or our Amended and Restated Charter or our Amended and Restated Bylaws, or (4) action asserting a claim governed by the internal affairs doctrine shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, another state or federal court located within the State of Delaware. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our Amended and Restated Charter described above. This choice of forum provision may limit a stockholder’ s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or its directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our Amended and Restated Charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.