

Risk Factors Comparison 2025-03-14 to 2024-03-15 Form: 10-K

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Investing in our common stock involves a high degree of risk. Investors should carefully consider the risks described below and all of the other information set forth in this Annual Report on Form 10-K, including our financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding to invest in our common stock. If any of the events or developments described below occur, our business, financial condition, or results of operations could be materially or adversely affected. As a result, the market price of our common stock could decline, and investors could lose all or part of their investment. **The risks described below are not the only risks we face. Additional risks not currently known to us or those we currently deem to be immaterial may also materially and adversely affect our business operations.** Risks Related to Our Industry Demand for our products could be affected by changes in laws and regulations applicable to food and beverages and changes in consumer preferences. We manufacture and distribute single-use disposable products made of plastic, paper, biopolymer-based and other compostable products. Our products are primarily used in restaurant and foodservice settings, and therefore they come into direct contact with food and other consumable products. Accordingly, our products must comply with various laws and regulations for food and beverage service applicable to our customers. Changes in such laws and regulations could negatively impact ~~our customers~~ **customer** demand for our products as they comply with ~~such these~~ changes and / or require us to make changes to our products. Additionally, because our products are used to package consumer goods, we are subject to a variety of risks that could influence consumer behavior and negatively impact demand for our products, including changes in consumer preferences driven by various health and environmental-related concerns and perceptions. Furthermore, we are subject to social and cultural changes, which could impact demand for certain products. For example, the banning of plastic straws was triggered by a social media backlash, which caused corresponding legislative changes within a short time period, resulting in the ban of plastic straws in certain jurisdictions, and a movement toward eco-friendly ~~packaging utensils~~. If we are unable to quickly adapt to changes in consumer preferences and subsequent legislation, our business, financial condition, results of operations ~~or and~~ cash flows could be **materially and** adversely affected. Supply chain disruptions could interrupt product manufacturing and increase product costs. Our operating model entails generating the majority of our revenue from the import and distribution of our vendors' products. While we have taken measures to diversify and expand our supplier network, our reliance on third-party manufacturers outside the U. S. to produce most of our products could negatively impact our ~~business operations and financial results~~ during global supply chain disruptions. Further international conflicts, such as the recent ones in the Middle East and Asia, could impact important trade routes, resulting in increased lead times for shipments ~~and~~, elevated freight costs, and suppressed margin. Additionally, failure to adequately source and timely ship our products to the U. S. and then onwards to customers could lead to ~~lost potential revenue~~, **loss of potential revenue**, strained relationships with customers, and ~~diminished~~ **diminishing** brand loyalty. Raw material inflation or shortage of available materials could harm our financial condition and results of operations. Raw materials are subject to price fluctuations and availability, which could result from external factors, such as inflation, weather-related events, or other supply chain challenges, that are beyond our control. We typically do not enter into long-term fixed price contracts with our suppliers, and our suppliers could pass on raw material price increases to us. Historically, we have been able to mitigate the impact of higher costs by increasing our selling prices. However, due to the lag between the sourcing or the manufacturing of our products and ~~the subsequent~~ sales to our customers, margin could be negatively impacted in periods of rising raw materials ~~costs until price actions are in place~~. **Raw** Additionally, raw material shortages, especially with respect to **key materials such as polyethylene terephthalate, or PET, plastic resin and paper**, or our inability to timely pass through increased costs to our customers may **materially and** adversely affect our business, financial condition, results of operations ~~or and~~ cash flows. We operate in a highly competitive environment and may not be able to compete successfully. The single-use disposable foodservice products industry is extremely competitive and highly fragmented. Many of the companies that compete in our industry are significantly larger with greater resources, have greater brand recognition and have a larger product offering. We may be unsuccessful in our efforts to compete against such large and established companies. In addition, our current or potential competitors may offer products at a lower price, or products and services that are superior to ours. Our success ~~is heavily depends~~ **dependent** upon successful research, **on our ability to source and development** ~~develop~~ and engineering efforts to utilize emerging and legislatively mandated raw materials, **adapt** our ability to expand or modify our manufacturing capacity **capabilities**, and **gain** the extent to which we are able to convince customers ~~customer~~ and consumers to accept **acceptance of** our new products. If we ~~fail are unable~~ to successfully **effectively** innovate, **produce**, and market, and manufacture differentiated ~~and~~ **products that are competitive in terms of price and quality** ~~competitive products relative to those of our competitors~~, our ability to ~~sustain maintain or expand our~~ **or grow** net sales, **protect** and to maintain or enhance our industry position or profit margins ~~could~~, **or maintain our position in the industry may be compromised** adversely affected. Similarly **Additionally**, **failure** if we fail to attract and retain customers for our ~~both~~ current and future products **could hinder**; we will be unable to increase our net sales and **efforts to expand** market share **and increase revenues**. All of these ~~These~~ **challenges, compounded by competitive pressures**, could materially **and** adversely affect our business, financial condition, results of operations ~~or and~~ cash flows. Unfavorable conditions in our industry or the global economy could limit our ability to grow our business and negatively affect our results of operations. Our ~~business~~ results of operations may vary based on the ~~impact state~~ of changes in our industry or the global economy ~~on us or our customers and potential customers~~. Negative **economic** conditions in the general economy

both in the United States and abroad, including conditions resulting from **tighter changes in gross domestic product growth**, financial and credit market **fluctuations access**, international trade relations, **pandemics**, political turmoil, natural catastrophes, warfare, and terrorist attacks could cause a decrease in demand for our products and negatively affect the growth of our business. Competitors, many of whom are larger and have greater financial resources than we do, may respond to challenging market conditions by lowering prices in an attempt to attract **our** customers. We cannot predict the timing, **strength magnitude**, or duration of any economic slowdown, **instability**, or recovery, generally or within any particular industry. Changes in freight carrier costs related to the shipment of our products could have a **negative material adverse** impact on our **business and** results of operations. We rely upon third- party ocean freight, air freight and land- based carriers for product shipments **from our vendors and** to our customers. Any failure to obtain sufficient freight capacity on a timely basis or at favorable shipping rates will result in our inability to receive products from suppliers or deliver products to our customers in a timely and cost- effective manner, which **could will result in a material materially and** **adverse adversely affect** **impact on** our business, financial condition, results of operations **or and** cash flows. We may experience delays or disruptions in the shipment of our goods through operational ports. We rely on the timely and free flow of goods through open and operational ports, both domestic and international, from our suppliers and manufacturers. Labor disputes or disruptions at ports, our common carriers, or **at** our suppliers or manufacturers could create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes, or other disruptions during periods of significant importing or manufacturing **activity**, potentially causing delayed or cancelled orders by customers, unanticipated inventory accumulation or shortages, and significant incremental demurrage charges. Such disruptions could **harm materially and adversely affect** our business, financial condition, results of operations **or and** cash flows. Accordingly, we are subject to risks, including labor disputes, union organizing activity, **inclement weather, and increased transportation costs, associated with our third- party contract manufacturers' and carriers' ability to provide products and services to meet our requirements. In addition, if the cost of fuel and ocean freight rises, the cost to source and deliver products may rise, which could harm our profitability.** Our net sales and profits depend on the level of customer spending for our products, which is sensitive to general economic conditions and other factors. Restaurant dining and food delivery services are generally discretionary items for end- consumers. Therefore, the success of our business depends significantly on broader economic factors and trends in consumer spending. Consumers have broad discretion as to where to spend their disposable income and may choose to reduce their restaurant and foodservice spending in times of inflation, high interest and unemployment rates which would negatively impact our customers and then in turn our results of operations. As global economic conditions continue to be volatile and economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to declines. Any of these factors could **harm materially and adversely affect** our business, financial condition, results of operations **or and** cash flows. Periods of significant or prolonged deflation may negatively impact our **business and** results of operations **and overall profitability**. If the industry we operate in experiences a prolonged period of price decreases resulting from lower raw material, product, and ocean freight costs, as well as prolonged customer destocking, we could see a reduction in our sales, gross margin and overall profitability. These lower costs could also reduce the barrier to entry within the foodservice industry thereby increasing competition and potentially affecting our results of operations. Similarly, if our competitors lower their prices and expand their promotional activities, we may be forced to lower our prices as well and our **operational business, financial condition, results of operations and cash flows** could be **negatively impacted materially and adversely effected**. Changes in tax laws or changes in our geographic mix of earnings could have a **material negative** impact on our **business financial condition and results of operation operations**. We are subject to income and other taxes in the many jurisdictions in which we operate. Tax laws and regulations are complex and the determination of our **global overall** provision for income taxes **and, as well as** current and deferred tax assets and liabilities requires judgment and estimation. We are subject to routine examinations of our income tax returns, and tax authorities may disagree with our tax positions and assess additional tax. Our future income taxes could also be negatively impacted by our mix of earnings in the jurisdictions in which we operate being different than anticipated given differences in statutory tax rates in the **countries jurisdictions** in which we operate. In addition, tax policy efforts to raise **global** corporate tax rates could adversely impact our tax rate and **subsequent** tax expense. Risks Related to Our Business Our business could be harmed if we are unable to accurately forecast demand for our products or our results of operations. To ensure adequate inventory supply, we forecast inventory needs and often place orders with our manufacturers before we receive firm orders from our customers. If we fail to accurately forecast demand, we may experience excess inventory levels or a shortage of product to deliver to our customers. If we underestimate the demand for our products, we, or our manufacturers, may not be able to scale to meet **our demand timely**, and this could result in delays in the shipment of **our products and our failure to customers satisfy demand, as well as lost revenue, and** damage to our reputation and customer relationships. If we overestimate the demand for our products, we could face inventory levels in excess of demand, which could result in inventory write- downs or write- offs and the sale of excess inventory at discounted prices, which would harm our gross **margins margin**. **In addition, failures to accurately predict the level of demand for our products could cause a decline in sales and harm our results of operations and financial condition.** In addition, we may not be able to accurately forecast our **business** results of operations and growth rate. Forecasts may be particularly challenging as we expand into new markets and geographies and develop and market new products. Our historical sales, expense levels, and profitability may not be an appropriate basis for forecasting future results. Failure to accurately forecast our results of operations **and growth rate** could cause us to make poor operating decisions and we may not be able to adjust in a timely manner. Consequently, actual results could be materially lower than anticipated. **Even if the markets in which we compete expand, our business may not grow at similar rates, if at all.** We may continue to incur significant capital expenditures which could affect our ability to meet our obligations and may otherwise restrict our growth. Although we have recently shifted towards an asset light model by increasing import and scaling back production and reducing capital expenditure, changes in economic and political conditions may result in us incurring significant capital expenditures again to expand

manufacturing. We may also make significant investments to lease **or own** additional warehouse space, expand our truck fleet, and upgrade our ~~e-commerce platform~~ **warehouse management and operating systems**. Such cash outlays could affect our ability to service our existing debt obligations or limit our ability to respond to business opportunities, pursue acquisitions or otherwise restrict our continued growth and expansion. Because we have entered into a significant number of related party transactions through the course of our routine business operations, there is a risk of conflicts of interest involving our management, and that such transactions may not reflect terms that would be available from unaffiliated third parties. In the course of our normal business, we have purchased products, raw materials, and supplies from our related parties, including an entity owned by our CEO Alan Yu's brother, Jeff Yu, who until 2021 was employed as an account manager for our national sales team. In addition, our Texas facility and our New Jersey facility are each owned and leased to us by our variable interest entity, wherein we are the primary beneficiary and in which we have an equity interest and which is controlled by one of our stockholders. In all related party transactions, there is a risk that even if the Company personnel negotiating on behalf of the Company with the related party are striving to ensure that the terms of the transaction are arms-length, the related party's influence may be such that the transaction terms could be viewed as favorable to that related party. **While we believe that our past related party transactions have been negotiated on an arm's length basis and contain commercially reasonable terms, we may have been able to achieve more favorable terms had these transactions been entered into with unrelated parties.** The section "Related Party Transactions" in the Notes to the Consolidated Financial Statements in this Form 10-K provide specific information about our prior related party transactions. We may engage in additional related party transactions in the future, which will be subject to review and approval by our nominating and corporate governance committee pursuant to the Company's related party transactions policy. **There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations, or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties.** We may not have adequate insurance coverage. We may not have adequate insurance coverage. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of ~~large~~ **larger deductible deductibles** or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim. ~~If we are~~ **We may be** unable to successfully design and develop new products, ~~our business may be harmed~~. To maintain and increase sales, we must continue to ~~introduce new~~ **innovate our** products ~~in~~ and improve or enhance our existing products. The success of our new and enhanced products depends on many factors, including ~~anticipating~~ **anticipation of** consumer preferences, ~~finding innovative solutions to consumer problems~~, differentiating our products from those of our competitors, and maintaining the strength of our brand. The design and development of our products is costly **and time-consuming**, and we typically have several products in development at the same time. Problems ~~in the design or quality of our products, or delays in~~ **this process could** product introduction, may harm our brand, ~~and~~ business, ~~financial condition, results of operations or cash flows~~. We may be subject to liability if we infringe upon the intellectual property rights of third parties. Third parties have sued, and may sue us in the future for alleged infringement of their proprietary rights. The party claiming infringement might have greater resources than we do to pursue its claims, and we could be forced to incur substantial costs and devote significant management resources to defend against such litigation, even if the claims are meritless and even if we ultimately prevail. If the party claiming infringement were to prevail, we could be forced to modify or discontinue our products, pay significant damages, or enter into expensive royalty or licensing arrangements with the prevailing party. In addition, any payments we are required to make, and any injunction we are required to comply with as a result of such infringement, could ~~harm materially and~~ **adversely affect** our reputation, business, financial condition, results of operations ~~or and~~ cash flows. Our current and future products may experience quality problems from time to time that can result in product returns, **product recalls, credit claims,** negative publicity, **and even** litigation, ~~product recalls, and warranty claims~~, which could result in decreased sales and operating **profit** margin, and **also bring** harm to our brand. Although we extensively and rigorously test new and enhanced products, there can be no assurance we will be able to detect, prevent, or fix all defects. Defects in materials or components can unexpectedly interfere with the products' intended use and safety and damage our reputation. Failure to detect, prevent, or fix defects could result in a variety of consequences, including a greater number of product returns than expected from customers, ~~litigation, product recalls, and credit claims, among others, which could harm our sales and results of operations~~. ~~The occurrence of real or perceived quality problems or material defects in our current and future products could result in loss of revenue and expose us to product recalls, warranty, or other claims~~. In addition, any negative publicity or lawsuits filed against us related to the perceived quality and safety of our products could also harm our brand and decrease demand for our products, **which could in turn materially and adversely affect our reputation, business, financial condition, results of operations and cash flows**. Labor cost inflation and the unavailability of skilled workers could disrupt our business. Labor is subject to cost inflation and availability, due to external factors, such as increases in minimum wage, higher cost of living, workforce participation rates, and employee preference for remote or hybrid work schedules, that are all beyond our control. ~~In~~ **For example, in** January 2024, California passed Bill 1228 which ~~increases~~ **increased** the minimum- wage of fast food restaurant workers to \$ 20 per hour beginning April 1, 2024. ~~This could~~ **Legislation that directly or indirectly fore forces** us to increase compensation for new and existing employees in order to attract and retain talent ~~thereby negatively impacting~~ **impacts** our labor costs and **may harm** results of operations. ~~As a result, there~~ **There** can be no assurance **that** we will be able to recruit, train, assimilate, motivate and retain employees in the future. The loss of a substantial number of these employees and our inability to hire and replace our workforce could disrupt our business and result in significant losses. **The increased labor costs in the restaurant industry could also negatively impact the business operations of some of our customers, which could in turn adversely affect our business and results of operations.** Our growth depends, in part, on expanding into additional

foodservice and geographic markets, and we may not be successful in doing so. We believe that our future growth depends not only on continuing to reach our current customer base and demographic, but also continuing to expand our business into other foodservice ~~markets~~ **sectors** and geographies. The growth of our business will depend, in part, on our ability to continue to expand into additional foodservice ~~markets~~ **sections** including ~~supermarkets~~ **grocery stores**, entertainment venues, ~~national and regional airlines~~ **and regional airlines**, and other non-~~restaurant customers~~ **traditional foodservice venues**. Additionally, we are expanding our sales and marketing efforts to further penetrate additional geographies across the United States, and we may encounter difficulties in attracting customers due to a lack of consumer familiarity with or acceptance of our brand. We continue to evaluate ~~our go-to-marketing~~ **market** efforts and other strategies to expand the customer base for our products especially our eco-friendly line. ~~In addition, although we are investing in sales and marketing activities such as upgrading our e-commerce platform and presence~~ to further penetrate ~~newer regions~~ **into other sectors** and ~~customers~~ **geographies. However**, we cannot provide assurances that these efforts will be successful. We are also expanding the number of distribution centers and warehouses across the United States and these efforts come with considerable challenges and risks, including entering into long term lease contracts with possibly significant termination clauses. If we are not successful, our business, ~~results of operations,~~ financial condition or, **results of operations and** cash flows may ~~could~~ be ~~harm~~ **materially and adversely effected**. We rely on third-party contract manufacturers and conflicts with, or loss of, our suppliers or ~~an inability to obtain raw materials~~ **could harm negatively impact** our business and results of operations. Certain of our products are produced by third-party contract manufacturers. We face the risk that these third-party contract manufacturers may not produce and deliver our products on a timely basis, or at all. We may also experience the inability of our third-party contract manufacturers to meet the increased demand of our customers. These difficulties include ~~reductions~~ **reduction** in the availability of production capacity, errors in complying with product specifications and ~~or~~ regulatory and customer requirements, ~~insufficient quality control, failures~~ **failure** to meet production deadlines, failure to achieve ~~required~~ **our product** quality standards, ~~shortages and~~ **increases in costs** ~~the price~~ of materials, and ~~manufacturing or~~ **business interruptions**. The ability of our manufacturers to effectively satisfy our production requirements could also be impacted by manufacturer financial difficulty or disruption to their operations caused by fire, ~~terrorist attack,~~ ~~natural disaster~~ **disasters**, or other events. The failure of any ~~third-party~~ **third-party** manufacturer to perform to our expectations could result in supply shortages or delays for certain products and harm our business ~~results~~. If we experience significantly increased demand, or if we need to replace an existing manufacturer due to lack of performance, we may be unable to supplement or replace their manufacturing capacity on a timely basis or on terms that are acceptable to us, which may increase our costs, reduce our margins, and harm our ability to deliver our products on time. For certain of our products, it may take a significant amount of time to identify and qualify a manufacturer that has the capability and resources to produce our products to our specifications in sufficient volume and satisfy our service and quality control standards. ~~Even those suppliers~~ **We rely on a combination of purchase orders and manufacturers with whom we have** supply contracts ~~may breach these agreements, and we may not be able to enforce our rights under these agreements or may incur significant costs attempting to do so. As a result, we cannot predict with certainty our ability to obtain finished products in adequate quantities, of required quality and at acceptable prices. Our relationship with our suppliers and~~ ~~third-party contract manufacturers~~ **Some of these relationships** are not exclusive, which means that these suppliers and manufacturers could produce similar products for our competitors. ~~We rely on a combination of purchase orders and supply contracts with our suppliers and manufacturers. With all of our suppliers and manufacturers, we face the risk that they may fail to produce and deliver supplies or our products on a timely basis, or at all. Furthermore, the products they manufacture for us may not comply with our quality standards. In addition, our~~ ~~arrangements with our~~ suppliers and manufacturers ~~are~~ **may raise prices in the future, which would increase our costs and harm our margins. Even those suppliers and manufacturers with whom we have supply contracts may breach these agreements, and we may not** ~~exclusive~~ **be able to enforce our rights under these agreements or may incur significant costs attempting to do so. As a result, we cannot predict with certainty our ability to obtain supplies and finished products in adequate quantities, of required quality and at acceptable prices from our suppliers and manufacturers in the** ~~they~~ future. Any one of these risks could harm our ability to deliver our products on time, or at all, damage our reputation and our relationships with our customers, and increase our product costs thereby reducing our margins. In addition, our arrangements with our manufacturers and suppliers are not exclusive. As a result, our suppliers or manufacturers could produce similar products for our competitors, some of which could potentially purchase products in significantly greater volume. Our competitors could ~~also~~ enter into restrictive or exclusive arrangements with our ~~suppliers and~~ ~~manufacturers or suppliers~~ **suppliers and** manufacturers or ~~suppliers~~ **suppliers** that could impair or eliminate our access to manufacturing capacity or supplies. ~~Our~~ ~~Additionally, our suppliers and~~ ~~manufacturers or suppliers~~ **could also be acquired by our competitors, and may become our direct competitors, thus limiting or eliminating our access to supplies or manufacturing capacity. If our independent suppliers** ~~Any one of these risks could materially and~~ ~~manufacturing partners do not comply~~ ~~adversely affect our business, financial condition, results of operations and cash flows. Our reputation and business could suffer due to non-~~ ~~compliance~~ ~~with ethical business practices and legal standards~~ ~~by or our suppliers with applicable laws and~~ ~~manufacturers~~ ~~regulations, our reputation, business, results of operations,~~ ~~financial condition or cash flows may be harmed.~~ Our reputation and our customers' willingness to purchase our products depend in part on our suppliers' and manufacturers' compliance with ethical employment practices, such as with respect to child labor, wages and benefits, forced labor, discrimination, safe and healthy working conditions, and with all legal and regulatory requirements relating to the conduct of their businesses. We do not exercise control over our suppliers and manufacturers and cannot guarantee their compliance with ethical and lawful business practices. If our suppliers or manufacturers fail to comply with applicable laws, regulations, safety codes, employment practices, human rights standards, quality standards, environmental standards, production practices, or other obligations, norms, or ethical standards, our reputation and brand image could be harmed and we could be exposed to litigation and additional costs that would harm our business, ~~results of operations,~~ financial condition or, **results of operations and** cash flows. We incur significant expenses to maintain our manufacturing equipment

and any interruption in the operations of our facilities ~~may harm~~ **could negatively impact** our **business and results of operating operations** performance. We regularly incur significant expenses to maintain our manufacturing equipment and facilities. The machines and equipment that we use to ~~produce~~ **manufacture** our products are complex, have many parts and some are run on a continuous basis. We must perform routine maintenance on our equipment and will have to periodically replace a variety of parts such as motors, pumps, pipes, and electrical parts. In addition, our facilities may require periodic shutdowns to perform major maintenance ~~which may result in lower output and ultimately lower sales during the periods in which~~ **These these** scheduled **maintenance** shutdowns of facilities may result in decreased sales and increased costs in the periods in which they occur ~~and~~. **Further, there** could **be** result in unexpected operational issues in future periods as a result of changes **made** to **machines and** equipment ~~and~~, **as well as to** operational and mechanical processes ~~made during the~~ shutdown periods. Additionally, ~~upon the expiration of our facility leases~~, we may not be able to renew ~~these~~ **our facility** leases on terms acceptable to us, if at all. If this occurs, it could ~~have a material~~ **materially and adversely** ~~impact on~~ **business, financial conditions** ~~condition and~~, **results of operations and cash flows**. Many of our operating costs and expenses are fixed and will not decline if our revenues decline. Our results of operations depend, in large part, on our level of revenues, operating costs and expenses. The expense of owning and operating our business is not necessarily reduced when circumstances such as market factors and competition cause a reduction in revenue from the business. **Many of the costs or cash outlays associated with our business and operations, such as depreciation, rent, insurance, and loan payments are generally considered fixed.** As a result, if revenues decline, we may not be able to reduce our expenses to keep pace with the corresponding reductions in revenues. Many of the costs associated with ~~This could materially and adversely affect~~ **our business and operations**, such as insurance, loan payments and maintenance, and rent payments generally will not be reduced if ~~circumstances cause our revenues to decrease, which could have a material adverse effect on us, including our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.~~ Additionally, upon the expiration of our facility leases, we may not be able to renew these leases on terms acceptable to us, if at all. If this occurs, it could have a material adverse impact on our business, results of operations, financial condition or cash flows. ~~We~~ **The successful running of our operations is highly** ~~depend~~ **dependent upon** ~~on our~~ information technology systems **and tools operating as intended without any down- time or disruptions in service. Security incidents and attacks on our information technology systems and tools could lead to significant costs and business disruptions. Information system is the backbone of our business. Our business depend on our internally- developed information technology systems and tools, as well as certain software as a service those of third parties, to design and develop new products, to run our business, including storing key data, processing transactions, designing and manufacturing products, sourcing products, managing inventory and hosting and operating our website. Our ability to operate effectively on a day- our website, host and manage our services, store data, process transactions, respond to - day basis user inquiries, manage inventory and accurately report our supply chain as well as results depends on a solid technological infrastructure, which is inherently susceptible to conduct internal and external threats** ~~manage other activities.~~ Any material disruption or slowdown of our systems or those of third parties that we depend upon, including ~~those~~ a disruption or slowdown caused by our failure to successfully manage significant increases in user volume or, ~~successfully~~ **unsuccessful system upgrades** ~~upgrades~~ systems **and updates**, system failures, ~~viruses~~ **power loss, ransomware** ~~internet and network connectivity issues~~, security **cybersecurity** breaches ~~incidents~~, or other causes, could cause **important or confidential** information, ~~including data related to orders, to be lost or compromised or delayed, which~~. **This** could **in turn impact our abilities to operate our business and accurately report our operating result results, harm** in delays in the delivery of products to retailers and customers or ~~our~~ **lost brand and reputation, and cause our future sales**, which could reduce demand for our products, harm our brand and reputation, and cause our sales to decline **further**. If changes in technology cause our information systems, ~~or those of third parties that we depend upon, to become obsolete, or information systems are inadequate to handle~~ **support** our growth, **it** particularly as we increase sales through our online sales channel, we could damage our customer and business partner relationships, and our **business results of operations, financial condition or, results of operations and cash flows** ~~may~~ **could** be **materially and adversely effected. Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of confidential information, misappropriation of assets and damage to our business relationships, all of which could negatively impact our business and results of operations. Despite regular reviews and enhancements of our cybersecurity measures, we have faced, and may continue to face, threats targeting our IT infrastructure and confidential or proprietary information. While we maintain security policies and controls to prevent, detect, and mitigate these risks, no system is immune from breaches that could expose sensitive data, disrupt operations, or affect our financial performance. Additionally, we handle confidential and personal data subject to privacy laws and contractual obligations. Even with reasonable safeguards, cybersecurity incidents, data loss, programming errors, or employee misconduct could compromise this information, leading to fines, penalties, reputational damage, and other adverse effects on our operations and financial condition. Adopting artificial intelligence (AI) technologies poses risks such as regulatory scrutiny, cybersecurity vulnerabilities, ethical concerns, and system inaccuracies, potentially leading to disruptions, costs, and reputational harmed-- harm. As we look for opportunities to adopt AI in our business operations, there could be significant risks that could materially and adversely impact our business, financial condition, results of operations and cash flows. The rapid pace of AI innovation and technological advancement present challenges in maintaining a competitive edge, as failing to keep pace with emerging technologies or competitors could erode our market position. Additionally, AI is subject to increasing regulatory scrutiny and an evolving legal framework around data usage, privacy, and algorithmic accountability which may impose additional compliance costs, operational restrictions, or lead to investigations and litigation. The deployment of AI technologies also introduces cybersecurity vulnerabilities, with potential data breaches or unauthorized access threatening sensitive**

information and customer trust. Furthermore, public perception of AI-related social and ethical issues may also impact the acceptance and success of our AI initiatives. As we evaluate opportunities for AI adoption, we remain committed to enhancing our governance, compliance, and risk management practices to effectively address these challenges and align with our strategic objectives, however, there is no assurance that these measures will fully mitigate all risks associated with its adoption and use. Our future success depends on the continuing efforts of our management and key employees, and on our ability to attract and retain highly skilled personnel and senior management. We depend on the talents and continued efforts of our senior management and key employees. The loss of members of our management or key employees may disrupt our business and harm our results of operations. Furthermore, our ability to manage further expansion will require us to continue to attract, motivate, and retain additional qualified personnel. Competition for this type of personnel is intense, and we may not be successful in attracting, integrating, and retaining the personnel required to grow and operate our business effectively. There can be no assurance that our current management team, or any new members of our management team, will be able to successfully execute our business and operating strategies. We may not be able to effectively manage our growth. As we grow our business, slower growth or reduced demand for our products, increased competition, a decrease in the growth rate of our overall market, failure to develop and successfully market new products, or the maturation of our business or market could harm our business. We expect to make significant investments in our research and development and sales and marketing organizations efforts, expand our operations and infrastructure both domestically and internationally, design and develop new products, and enhance our existing products lineup. Also in addition, in connection with operating as a public company, we will expect to continue to incur significant additional legal, accounting, and other related expenses. If our sales do not increase at a sufficient rate to offset these increases in our operating expenses, our profitability may decline in future periods. We have expanded our operations rapidly since our inception. Our employee headcount and the scope and complexity of our business have increased substantially over the past several years. We have only a limited history operating our business at its current scale. Consequently, if our operations continue to grow at a rapid pace, we may experience difficulties in managing this growth and building the appropriate processes and controls. Continued growth may increase the strain on our resources, and we could experience operating difficulties, including difficulties in sourcing, logistics, recruiting, maintaining internal controls, marketing, designing innovative products, and meeting consumer needs. If we do not adapt to meet these evolving challenges, the strength of our brand corporate culture may erode be harmed, the quality of our products may suffer, we may not be able to deliver products on a timely basis to our customers, and the strength of our brand corporate culture may erode be harmed. We may become involved in legal or regulatory proceedings and audits. Our business requires compliance with many laws and regulations, including labor and employment, sales and other taxes, customs, and consumer protection laws and ordinances that regulate retailers generally and / or govern the importation, promotion, and sale of merchandise, and the operation of stores and warehouse facilities. Failure to comply with these laws and regulations could subject us to lawsuits and other proceedings, and could also lead to damage awards, fines, and penalties. We may become involved in a number of legal proceedings and audits, including government and agency investigations, and consumer, employment, tort, and other litigation. The outcome of some of these legal proceedings, audits, and other contingencies could require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our financial condition and results of operations. Additionally, defending against these lawsuits and proceedings may be necessary, which could result in substantial costs and diversion of management's attention and resources, materially and adversely harming our business, results of operations, financial condition or, results of operations and cash flows. Any pending or future legal or regulatory proceedings and audits could materially and adversely harm our business, results of operations, financial condition or, results of operations and cash flows. We are subject to payment-related risks. We For our online sales, as well as for sales to our offline customers, we accept a variety of payment methods, including credit cards, debit cards, electronic funds transfers, and electronic payment systems. Accordingly, we are, and will continue to be, subject to significant and evolving regulations and compliance requirements, including obligations to implement enhanced authentication processes that could result in increased costs and liability, and reduce the ease of use of certain payment methods. For certain payment methods, including credit and debit cards, as well as electronic payment systems, we pay interchange and other fees, which may increase over time. We rely on independent service providers for payment processing, including credit and debit cards. If these independent service providers become unwilling or unable to provide these services to us or if the cost of using these providers increases, our business could be harmed. Any failure to comply could significantly harm our brand, reputation, business, results of operations, financial condition or cash flows. We are subject to credit risk. We are exposed to credit risk primarily on our accounts receivable. We provide credit to our customers in the ordinary course of our business and perform ongoing credit evaluations. While we believe that our exposure to concentrations of credit risk with respect to trade receivables is mitigated by our large retail partner and diversified customer base, and we make allowances for sales and doubtful accounts, we nevertheless run the risk of our customers not being able to meet their payment obligations, particularly in an a future economic downturn. If a material number of our customers were not able to meet their payment obligations, our business, results of operations, financial condition or, results of operations and cash flows may could be materially harmed. Security incidents and adversely effected attacks on our information technology systems could lead to significant costs and disruptions that could harm our business, financial results, and reputation. We rely extensively on information technology systems to conduct our business, some of which are managed by third-party service providers. Information technology supports several aspects of our business, including among others, product sourcing, pricing, customer service, transaction processing, financial reporting, collections and cost management. Our ability to operate effectively on a day-to-day basis and accurately report our results depends on a solid technological infrastructure, which is inherently susceptible to internal and external threats. We are vulnerable to interruption by power loss, telecommunication failures, internet failures, security breaches and other catastrophic events. Exposure to various types of cyber-attacks such as malware, computer viruses, worms or other malicious acts, as well as human error, could also

potentially disrupt our operations or result in a significant interruption in the delivery of our goods and services. For a description of our cybersecurity program, see Part I, Item 1C, "Cybersecurity". We have identified a material weakness--**weakness** in our internal control over financial reporting. If we are unable to remediate these **this** material weaknesses--**weakness**, or if we experience additional material weaknesses or deficiencies in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial results, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports and the price of our common stock may decline. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The rules governing the standards that must be met for management to determine that our internal control over financial reporting is effective are complex and require significant documentation, testing and possible remediation to meet the detailed standards under the rules. Our management has identified a material weaknesses--**weakness** in our internal control over financial reporting. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis. For a description of the identified material weaknesses--**weakness**, see Part II, Item 9A, "Controls and Procedures". As further described in **Part II, Item 9A, "Controls and Procedures"**, "we have remediated certain material weaknesses previously identified in Part II, Item 9A of Form 10-K for the year ended December 31, **2022-2023** filed with the SEC on March **16-15, 2023-2024**. For the **unremediated existing** material weaknesses--**weakness as of December 31, 2024**, we have undertaken steps to implement remedial actions. **Although progress has been made** We expect that we will need to improve existing procedures and controls, **additional time is necessary and implement new ones**, to fully remediate the material weaknesses--**weakness**. We, **and even despite the passage of time, we** may not be successful in making the improvements necessary to remediate **remediating** the material weaknesses--**weakness identified by management** or be able to do so in a timely manner. Any inability to remediate the material weaknesses--**weakness** effectively or in a timely manner, or the identification of any new material weaknesses in the future, could limit our ability to prevent or detect a misstatement of our accounts or disclosures and could result in a material misstatement of our annual or interim financial statements. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting and the prices of our common stock may decline as a result. If our goodwill, other intangible assets, or our property and equipment become impaired, we may be required to record a charge to our earnings. We may be required to record future impairments of goodwill, other intangible assets, or long-lived assets to the extent the fair value of these assets falls below their book value. Our estimates of fair value are based on **various** assumptions **regarding including** future cash flows, **gross margins, expenses, discount rates applied to these cash flows**, and current market estimates of value. Estimates used for future sales growth **rates**, gross profit performance, **operating expenses**, and other assumptions used to estimate fair value are subject to significant judgment. Although impairments are non-cash expenses, they could materially **and adversely** affect our future financial results and financial condition. If our estimates or judgments relating to our critical accounting policies prove to be incorrect or change significantly, our results of operations could be harmed. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section of this Form 10-K titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, and related notes included elsewhere in this Form 10-K. These estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity and the amount of sales and expenses that are not readily apparent from other sources. Our results of operations may be harmed if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, and could result in a decline in our stock price. Risks Related to Societal and Environmental Factors The effects of a pandemic are highly unpredictable and could be significant, and may have an adverse effect on our business, operations and our future financial performance. A pandemic **or global health crisis**, similar to COVID-19, would adversely impact our business, **results of operations**, financial condition, **results of operations** and cash flows. Depending on the scale of the pandemic, our **future** financial performance may differ significantly from historical rates, and our future operating results may also **start to** fall below expectations. We may also experience additional operating costs due to increased challenges with our workforce (including as a result of labor shortages, illness, absenteeism or government orders), and access to supplies and capital. Even after a pandemic has subsided, we may experience materially adverse impacts to our business due to any resulting supply chain disruptions and economic conditions. Our business is subject to the risk of earthquakes, **fire fires**, power outages, floods, **pandemics**, and other catastrophic events, **including criminal acts** and to **interruption by problems such as** terrorism, **cyberattacks, or failure of key information technology systems**. As we rely heavily on our **manufacturing warehouse** facilities **for production, storage, and distribution of inventory**, our business is particularly vulnerable to damage or interruption from earthquakes, fires, floods, **pandemics, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, criminal acts, terrorism**, and similar events. **A** For example, a significant natural disaster, **such as an earthquake, fire, or flood**, could harm our business, **results of operations, and financial condition**, and our insurance coverage may be insufficient to compensate us for losses that may occur. Our corporate offices, distribution centers, and manufacturing facilities are located in California, a state that frequently experiences earthquakes and wildfires, Texas, a state that frequently experiences floods and storms, and Hawaii, a state that frequently experiences hurricanes and tsunamis. In addition, the facilities of our suppliers and where our manufacturers produce our products are located in parts of

Asia that frequently experience typhoons and earthquakes. **Criminal Acts—acts such as grand theft and acts** of terrorism could also cause disruptions in our or our suppliers', manufacturers', and logistics providers' businesses or the economy as a whole. We may not have sufficient protection or recovery plans in **place** some circumstances, **and** such as natural disasters affecting California, Texas, Hawaii or other locations where we have operations or store significant inventory. Our servers may also be vulnerable to computer viruses, criminal acts, denial-of-service attacks, ransomware, and similar disruptions from unauthorized tampering with our computer systems, which could **materially and adversely impact** lead to interruptions, delays, or **our financial** loss of critical data. As we rely heavily on our information technology and communications systems and the internet to conduct our business and provide high-quality customer service, these disruptions could harm our ability to run our business and either directly or indirectly disrupt our suppliers' or manufacturers' businesses, which could harm our business, results **and** of operations, financial condition or cash flows. For a description of our cybersecurity program, see Part I, Item 1C." **Cybersecurity**". Climate change and sustainability initiatives may result in significant operational changes and expenditures and adversely affect our business. Continuing political and social attention to carbon emissions and sustainability may result in the imposition of additional regulations or restrictions to which we may become subject. Such policies could result in increased production costs including higher energy and raw materials prices, which could negatively impact our financial condition and results of operations. Additionally, changing weather patterns could also cause disruptions or the complete shutdown of our operations and facilities, thereby impacting our business and consolidated financial statements. We are subject to environmental laws and regulations that expose us to a number of risks and could result in significant liabilities and costs. We operate manufacturing facilities in the United States, and are therefore subject to certain environmental regulations with respect to the operation of those facilities. If we were to experience a material adverse environmental event at any of our facilities, or we were to experience any material product safety issue with respect to our products or our business, **our results of operations**, financial condition, **results of operations** and cash **flow-flows** could be materially **and** adversely affected. Furthermore, concern over plastics products may result in new or increased legal and regulatory requirements to reduce or mitigate impacts to the environment. Increased **legislation** regulatory requirements, including in relation to various aspects of ESG including disclosure requirements, or environmental causes may result in increased compliance or input costs of raw materials, which may cause disruptions in the manufacture of our products or an increase in operating costs. If we do not adapt to or comply with new regulations, or fail to meet the needs of the evolving investor, industry, or stakeholder expectations and standards, or if we are perceived to have not responded appropriately to the growing concern for ESG issues, customers and consumers may choose to stop purchasing our products or purchase products from another company or a competitor, and our reputation, business and consolidated financial statements may be adversely affected. Risks Related to the **World-Global** Events and International Nature of Our Operations If additional tariffs or other restrictions are placed on foreign imports or any related counter- measures are taken by other countries, our business and results of operations could be harmed. Historically, there have been **tariffs and other** trade restrictions and various alterations to trade agreements **and terms** between the United States and China, the European Union, Canada, and Mexico, among others, including limiting trade and / or imposing tariffs on imports from such countries. **In early 2025, the new U. S. Presidential administration announced significant new tariffs on foreign imports into the United States, specifically from Mexico and Canada, all of which were subsequently postponed prior to becoming effective, as well as China. The Presidential administration has suggested that they may propose additional new tariffs in the future, including on the European Union. Tariffs have the potential to significantly raise the cost of our products. In such a case, there can be no assurance that we will be able to shift manufacturing and supply agreements to non-impacted countries, including the United States, to reduce the effects of the tariffs. Additionally, it may be time-consuming and expensive for us to alter our business operations to adapt to changes in tariffs or comply with any changes to foreign import regulations.** If additional tariffs or other restrictions are placed on foreign imports, including on any of our products manufactured overseas for sale in the United States, or any related **retaliatory** counter- measures are taken by other countries, our business, **results of operations, financial condition and cash flows** may be **negatively** materially harmed. These tariffs have the potential to significantly raise the cost of our products. In such a case, there can be no assurance that we will be able to shift manufacturing and supply agreements to non-impacted countries, including the United States, to reduce the effects of the tariffs. **We** As a result, we may suffer margin erosion or be required to raise our prices, which may result in the loss of customers **and**. Tariffs imposed by the U. S. government or a global trade war could **increase the cost of our products, which could have a material** **materially and** adverse **adversely** effect on our business, **results of operations**, financial condition, **results of operations** and cash flows. International political instability and **terrorist activities armed conflicts** could result in market instability, which could negatively impact our business results. **Terrorist activities-International political instability** and armed conflicts, including recent escalations in regional conflicts, could result in economic sanctions that could impact our operational and financial results. If such events disrupt domestic or international air, ground or sea shipments, or the operation of the Company's manufacturing facilities, the Company's ability to **source inventory or** obtain the materials necessary to manufacture its products, **and** to deliver customer orders would be harmed, which would have a significant adverse effect on the Company's business, **and** results of operations, **financial condition and cash flows**. In addition, international **conflict conflicts** could result in increased energy costs, which could increase the cost of **sourcing**, manufacturing, selling, **and** delivering products, **and** **general solutions**; inflation, which could **also** result in increases in the cost of **sourcing and** manufacturing products and solutions, reduced customer **demand and** purchasing power, **decreased consumer demand, increased price pressure, and overall** reduced or cancelled orders; increased risk of cyber- attacks; and market instability, **which**. **All of these** could **materially and** adversely **impact-effect** our **overall** business, **financial condition**, results **of operations and cash flows**. If we fail to timely and effectively obtain shipments of products from our overseas manufacturers, our business and results of operations could be harmed. Our overseas third- party contract manufacturers ship most of our products to our primary facility in California, which are then shipped to our customers and to our **other** distribution facilities in Texas, Washington, New Jersey

~~and South Carolina~~. Because we import many of our products, we are vulnerable to risks associated with products manufactured abroad, including, among other things: (a) risks of damage, destruction, or confiscation of products while in transit to our distribution centers; and (b) transportation and other delays in shipments, including as a result of heightened security screening, port congestion, ~~and~~ inspection processes, ~~or~~ other port- of- entry limitations or restrictions in the United States. In order to meet demand for a product, we have chosen in the past, and may choose in the future, to arrange for additional quantities of the product, if available, to be delivered through air freight, which is significantly more expensive than standard shipping by sea and, consequently, could harm our gross margins. Failure to procure our products from our third- party contract manufacturers and deliver merchandise to our customers in a timely, effective, and economically viable manner could reduce our sales ~~and~~, gross margins ~~margin, and profitability~~, damage our brand, and harm our business. Many of our products are manufactured by third parties outside of the United States, and our business may be harmed by legal, regulatory, economic, and political risks associated with international trade and those markets. Many of our products are manufactured outside the United States. Our reliance on suppliers and manufacturers in foreign markets creates risks inherent in doing business in foreign jurisdictions, including: (a) the burdens of complying with a variety of foreign laws and regulations, including trade and labor restrictions and laws relating to the importation and taxation of goods; (b) weaker protection for intellectual property and other legal rights than in the United States, and practical difficulties in enforcing intellectual property and other rights outside of the United States; (c) compliance with U. S. and foreign laws relating to foreign operations, including the U. S. Foreign Corrupt Practices Act, or FCPA, the UK Bribery Act 2010, or the Bribery Act, regulations of the U. S. Office of Foreign Assets Controls, or OFAC, and U. S. anti- money laundering regulations, which prohibit U. S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business, operating in certain countries, as well as engaging in other corrupt and illegal practices; (d) economic and political instability and acts of terrorism in the countries where our suppliers are located; (e) transportation interruptions or increases in transportation costs; (f) the imposition of tariffs on components and products that we import into the United States or other markets ~~, and~~; ~~and~~ (g) the impact of currency exchange fluctuations, trade regulations, import duties, logistics costs, delays, and other related risks resulting in increased costs or liabilities. We cannot provide assurance that our directors, officers, employees, representatives, manufacturers, or suppliers have not engaged and will not engage in conduct for which we may be held responsible, nor can we provide assurance that our manufacturers, suppliers, or other business partners have not engaged and will not engage in conduct that could materially harm their ability to perform their contractual obligations to us or even result in our being held liable for such conduct. Violations of the FCPA, the Bribery Act, OFAC restrictions, or other export control, anti- corruption, anti- money laundering, and anti- terrorism laws or regulations may result in severe criminal or civil sanctions, and we may be subject to other related liabilities, which could harm our business, ~~results of operations~~, financial condition, ~~results of operations~~ and cash flows. Foreign exchange rate fluctuations could affect our results of operations. Our third- party manufacturers are located in international markets, and we make payment to certain of these manufacturers in ~~currency~~ ~~currencies~~ other than U. S. Dollars, including payments made in New Taiwan Dollars. Any fluctuations in foreign exchange rates against the U. S. Dollar, and in particular the exchange rates of the New Taiwan Dollar, could increase our costs, and have a material adverse impact on our business, ~~results of operations~~, financial condition, ~~results of operations~~ and cash flows. Risks Related to Ownership of Our Common Stock and Our Capital Structure Our directors, executive officers, and significant stockholders have substantial control over us and could delay or prevent a change in corporate control. As of March 1, ~~2024~~ ~~2025~~, our directors, executive officers, and other holders of more than 5 % of our common stock, together with their affiliates, own, in the aggregate 65. 5 % of our outstanding common stock. As a result, these stockholders, acting together or in some cases individually, have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. In addition, these stockholders, acting together or in some cases individually, have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership might decrease the market price of our common stock by:

- delaying, deferring, or preventing a change in control of the company;
- impeding a merger, consolidation, takeover, or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the company.

Our stock price may be volatile or may decline, including due to factors beyond our control, resulting in substantial losses for investors. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- ratings changes by any securities analysts who follow our company;
- sales or potential sales of shares by our stockholders, or the filing of a registration statement for these sales;
- adverse market reaction to any indebtedness we may incur or equity we may issue in the future;
- announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- publication of adverse research reports about us, our industry, or individual companies within our industry;
- publicity related to problems in our manufacturing or the real or perceived quality of our products, as well as the failure to timely launch new products that gain market acceptance;
- changes in operating performance and stock market valuations of our competitors;
- price and volume fluctuations in the overall stock market, including as a result of trends in the United States or global economy;
- any major change in our board of directors or management;
- lawsuits threatened or filed against us or negative results of any lawsuits;
- security breaches or cyberattacks;
- legislation or regulation of our business;
- loss of key personnel;
- new products introduced by us or our competitors;
- the perceived or real impact of events that harm our direct competitors;
- developments with respect to our trademarks, patents, or proprietary rights;
- ~~tariffs and other trade restrictions~~; • ~~inflationary pressures~~; • general market conditions; and
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events, which could be unrelated to us or outside of our control.

In addition,

stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies in our industry, as well as those of newly public companies. In the past, stockholders of other public companies have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and harm our business, ~~results of operations,~~ financial condition, **results of operations** and cash flows. Acquisitions could result in operating difficulties and may materially adversely affect our business, financial condition, results of operations and growth prospects. We have evaluated, and expect to continue evaluating, potential strategic transactions, and we may pursue one or more transactions, including acquisitions. We have limited experience executing acquisitions. Any transaction could be material to our business, financial condition, results of operations and growth prospects. Integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures. Acquisition-related risks include: • diverting management time and focus from operating our business to acquisition integration; • customers moving to new suppliers as a result of the acquisition; • inability to retain employees from the business we acquire; • challenges associated with integrating employees from the acquired company into our organization; • difficulties integrating accounting, management information, human resource and other administrative systems to permit effective management of the business we acquire and realize efficiencies; • potential requirements for remediating controls, procedures and policies appropriate for a public company in the acquired business that prior to the acquisition lacked these controls, procedures and policies; • potential liability for past or present environmental, hazardous substance, or contamination concerns associated with the acquired business or its predecessors; • possible write-offs or impairment charges resulting from the acquisition; and • unanticipated or unknown liabilities relating to the acquired business. Also, the anticipated benefit of any acquisition may not materialize. Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, debt incurrence, contingent liabilities or amortization expenses or goodwill write-offs, any of which could materially adversely affect our business, financial condition, results of operations and growth prospects. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on favorable terms or at all. Substantial future sales, or the perception or anticipation of future sales, of shares of our common stock may cause our stock price to decline. ~~In addition, a significant portion of our common stock is restricted from immediate resale but may be sold into the market in the near future.~~ This could cause the market price of our common stock to drop significantly, even if our business is doing well. Our stock price could decline as a result of substantial sales of our common stock, or the perception or anticipation that such sales could occur, particularly sales by our directors, executive officers, and significant stockholders. Possible sales also may make it more difficult for us to sell equity or equity-related securities in the future at a time and price we deem necessary or appropriate. Additionally, if we issue a large number of shares in connection with future acquisitions, financings or other circumstances, the market price of our common stock could decline significantly. We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances or sales of our shares will have on the market price of such shares. ~~As In addition, as of December 31, 2023-2024~~, we had ~~386-296, 473-999 and 16, 668 of vested and unvested~~ stock options ~~and 5-, 345 respectively, and 70, 800 of~~ unvested restricted stock units outstanding. The additional shares issued upon ~~exercise or~~ vesting will be eligible to be sold freely in the public market, subject to volume limitations applicable to affiliates ~~and the existing lock-up agreements~~. Our bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain actions, which could limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company and its directors, officers, or other employees and may discourage lawsuits with respect to such claims. Unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for: (i) any derivative action or proceeding brought against or on behalf of the Company, (ii) any action asserting a claim of breach of a duty owed by any current or former director, officer, other employee or stockholder of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim pursuant to any provision of the Delaware General Corporation Law, (iv) any action as to which the Delaware General Corporation Law confers jurisdiction upon the Court of Chancery in the State of Delaware, or (v) any action asserting a claim governed by the internal affairs doctrine, shall, to the fullest extent permitted by law, be the Court of Chancery in the State of Delaware (or, only if the Court of Chancery in the State of Delaware declines to accept jurisdiction over a particular matter, any state or federal court located within the State of Delaware). However, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, and as such, the exclusive jurisdiction clauses set forth above would not apply to such suits. Furthermore, Section 22 of the Securities Act provides for concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, and as such, the exclusive jurisdiction clauses set forth above would not apply to such suits. Although we believe the exclusive forum provision benefits us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, this provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company and its directors, officers, or other employees and may discourage lawsuits with respect to such claims. We may issue preferred stock, the terms of which could adversely affect the voting power or value of our common stock. Our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock. We intend to pay quarterly dividends for the foreseeable future. If our stock price does not appreciate after you purchase our shares, you may lose some or

all of your investment. Although **we initiated** our **regular** ~~Board of Directors declared a~~ quarterly cash dividend in 2023 and intend to pay regular quarterly dividends for the foreseeable future, we may not be able to sustain our current quarterly dividend payouts. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our board of directors may deem relevant. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. **We are Karat Packaging Inc.** is a holding company with no operations of **its-our** own and, as such, ~~it we depends~~ **depend** on **its-our** subsidiaries for cash to fund **its-our** operations and expenses, including future dividend payments, if any. As a holding company, our principal source of cash flow will be distributions from Lollicup, our wholly- owned subsidiary. Therefore, our ability to fund and conduct our business, service our debt, and pay dividends, if any, in the future will depend on the ability of our subsidiaries to generate sufficient cash flow to make upstream cash distributions to us. Our subsidiaries are separate legal entities, and although they are wholly owned and controlled by us, they have no obligation to make any funds available to us, whether in the form of loans, dividends, or otherwise. The ability of our subsidiaries to distribute cash to us will also be subject to, among other things, restrictions that may be contained in our subsidiary agreements (as entered into from time to time), availability of sufficient funds in such subsidiaries and applicable laws and regulatory restrictions. Claims of any creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of our subsidiaries to distribute dividends or other payments to us is limited in any way, our ability to fund and conduct our business, service our debt, and pay dividends, if any, could be harmed. If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline. The trading market for our common stock will be influenced to some extent by the research and reports that industry or financial analysts publish about us and our business. We do not control these analysts. As a relatively new public company, we may be slow to attract research coverage and the analysts who publish information about our common stock will have had relatively little experience with us or our industry, which could affect their ability to accurately forecast our results and could make it more likely that we fail to meet their estimates. In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us provide inaccurate or unfavorable research or issue an adverse opinion regarding our stock price, our stock price could decline. If one or more of these analysts cease to regularly cover us or fail to publish reports, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline. Outstanding indebtedness may reduce our available funds. We have approximately \$ **49-48**. 5 million in outstanding indebtedness as of December 31, **2023-2024**. The loans are held at multiple banks and are collateralized by substantially all of Global Well' s assets **and is guaranteed by one of our stockholders**. There can be no guarantee that we will be able to pay all amounts when due or to refinance the amounts on terms that are acceptable to us or at all. If we are unable to make our payments when due or unable to refinance such amounts, our key equipment could be repossessed, our property could be foreclosed and our business could be negatively affected. The terms of ~~the-our~~ debt agreements impose significant operating and financial restrictions on us. These restrictions could also have a negative impact on our business, ~~results of operations,~~ financial condition, **results of operations** and cash flows by significantly limiting or prohibiting us from engaging in certain transactions, including but not limited to: incurring or guaranteeing additional debt financing; transferring or selling assets currently held by us; and transferring ownership interests in certain of our subsidiaries. The failure to comply with any of these covenants could cause a default under our other debt agreements. Any of these defaults, if not waived, could result in the acceleration of all of our debt, in which case the debt would become immediately due and payable. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance it on favorable terms, if any. We depend on cash generated from outside sources of funding to support our growth. Although we have in the past generated positive cash flow from operating activities, outside sources of equity and debt capital is an important source of fund for our current operations and growth initiatives. As we expand our business, we will need significant cash resources to fund operations ~~to such as purchase~~ **purchasing and manufacturing** inventory, ~~increase~~ **marketing and promoting** our product ~~products~~ development, ~~expand-expanding~~ our ~~manufacturer-vendor~~ and ~~supplier~~ **customer** relationships, ~~pay personnel~~ **enhancing distribution capabilities**, ~~pay~~ **paying employees, upgrading information technology systems and tools, and paying** for the ~~increased~~ costs associated with operating as a public company, ~~expand geographically, and to further invest in our sales, manufacturing and marketing efforts and our e-commerce platform~~. If we are unable to secure additional outside funding or if our business does not generate sufficient cash flow from operations to fund these activities and sufficient funds are not otherwise available, our business will be negatively impacted and restricted. If such outside financing is not available to us on satisfactory terms, our ability to operate and expand our business or respond to competitive pressures would be harmed. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, your ownership may be diluted. Any indebtedness we incur may subject us to covenants that restrict our operations and will require interest and principal payments that would create additional cash demands and financial risk for us. General Risk Factors We are an emerging growth company and the reduced disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors. We are an “ emerging growth company ” as defined in the Jumpstart Our Business Startups Act (the “ JOBS Act ”). Under the JOBS Act, emerging growth companies can delay adopting new or revised financial accounting standards until such time as those standards apply to private companies. We have elected to take advantage of the extended transition period for adopting new or revised financial statements under the JOBS Act as an emerging growth company. For as long as we continue to be an emerging growth company, we intend to take advantage of other exemptions from certain reporting requirements that are applicable to other public companies, including not being required to comply with the auditor attestation requirements of Section 404 (b) of the Sarbanes- Oxley Act of 2002, as amended or the Sarbanes- Oxley Act, exemption from any rules that may be adopted by the Public Company Accounting

Oversight Board (“ PCAOB ”) requiring mandatory audit firm rotations or a supplement to the auditor’ s report on financial statements, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute arrangements, and reduced financial reporting requirements. Investors may find our common stock less attractive because we will rely on these exemptions, which could result in a less active trading market for our common stock, increased price fluctuation, and a decrease in the trading price of our common stock. We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non- affiliates is at least \$ 700 million as of the last business day of our most recently completed second fiscal quarter, (ii) the end of the fiscal year in which we have total annual gross revenues of \$ 1. 235 billion or more during such fiscal year, (iii) the date on which we issue more than \$ 1 billion in non- convertible debt in a three- year period, or (iv) December 31, 2026, which represents the end of the fiscal year in which the fifth anniversary of the date of our IPO prospectus occurs. ~~The requirements of being a public company may strain our resources, divert management’ s attention, and affect our ability to attract and retain executive management and qualified board members. As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act, the Nasdaq listing standards and other applicable securities laws, rules, and regulations. Compliance with these laws, rules, and regulations will increase our legal and financial compliance costs, make some activities more difficult, time- consuming, or costly, and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. The Sarbanes- Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures, and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management’ s attention may be diverted from other business concerns and our costs and expenses will increase, which could harm our business and results of operations. Although we have already hired additional employees to comply with these requirements, we will need to hire more employees in the future or engage outside consultants, which will increase our costs and expenses. In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management’ s time and attention from sales- generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal, administrative, or other proceedings against us and our business may be harmed. If we are unable to maintain effective internal controls, our business, financial position and results of operations could be adversely affected. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The rules governing the standards that must be met for management to determine that our internal control over financial reporting is effective are complex and require significant documentation, testing and possible remediation to meet the detailed standards under the rules. During the course of its testing, our management may identify material weaknesses or deficiencies which may not be remedied quickly or at all. Any failure to maintain effective internal controls could have an adverse effect on our business, financial position and results of operations.~~