

Risk Factors Comparison 2025-03-04 to 2024-03-14 Form: 10-K

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

The following are important factors that could affect our business, financial condition or results of operations and could cause actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Annual Report, our other filings with the SEC or in presentations such as telephone conferences and webcasts open to the public. You should carefully consider the following factors in conjunction with this Annual Report, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 – Part II and our consolidated financial statements and related notes in Item 8 – Part II. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business, financial condition or results of operations. If any of the following risks actually occur, or other risks that we are not aware of become material, our business, financial condition, results of operations and future prospects could be materially and adversely affected. Risks Related to Ownership of our Common Stock The market price of our common stock may be highly volatile, and you could lose all or a substantial portion of your investment. The trading price of our common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. Our common stock has a concentrated ownership among our significant stockholders and, as a result, our common stock may be less liquid and have greater stock price volatility than the common stock of companies with broader public ownership. Since June 13, 2024, when we first sold common stock pursuant to the Purchase Agreements at a price of \$ 9. 14 per share, and until we filed our registration statement on Form S- 3, the reported closing sale price of our common stock had been highly volatile, ranging from \$ 41. 74 to \$ 205. 40, in each case substantially higher than the price at which we sold common stock in connection with the private placements pursuant to purchase agreements we entered into on June 13, 2024 and July 22, 2024. While the market prices of our common stock may respond to developments regarding our liquidity, operating performance and prospects, and developments regarding our industry, we believe that historical market prices also reflected market and trading dynamics unrelated to our underlying business, or macro or industry fundamentals, and we do not know if these dynamics will occur again. Under the circumstances, we caution you that investing in our common stock is subject to a high degree of risk. Our stock price could continue to be subject to wide fluctuations in response to a variety of other factors, which include: • whether we achieve our anticipated corporate objectives; • changes in financial or operational estimates or projections; • termination of lock- up agreements or other restrictions on the ability of our stockholders and other security holders to sell our securities; and • general economic or political conditions in the United States or elsewhere. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the affected companies. Such rapid and substantial price volatility, including any stock run- up, may be unrelated to our actual or expected operating performance and financial condition or prospects, making it difficult for prospective investors to assess the rapidly changing value of our common stock. This volatility may prevent you from being able to sell your shares of common stock at or above the price you paid for them. Sales of substantial amounts of our common stock in the public markets, or the perception that such sales might occur, could cause the market price of our common stock to decline significantly, even if our business is doing well. Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. ~~We expect to rapidly expand our operations and grow our sales, development and administrative operations~~ **We expect to be unable to predict the effect that** ~~rapidly expand our operations and grow our sales, development and administrative operations may have on the prevailing market price of our common stock~~ **Accordingly, recruiting and retaining such personnel** ~~Sales of our common stock by current stockholders may make it more difficult for us to sell equity or equity- related securities in the future at a time and price that we deem reasonable or appropriate, and make it more difficult to sell shares of our common stock. We have filed a registration statement registering 789, 549, 465 shares of common stock held by, or issuable upon conversion or exercise of securities held by, stockholders party to certain agreements with the Company providing them with registration rights. Substantial sales of securities by these stockholders, or the perception that substantial sales will be made in critical to our success. There is intense competition from other~~ **the public** ~~companies for qualified personnel in the areas of our activities, particularly sales, marketing~~ **market** ~~and managed services. If we fail to identify, attract, retain and motivate these highly skilled personnel, we may be unable to continue our marketing and managed services activities and service our clients’ needs, and this could have a material adverse effect on the~~ **market price for our common stock. In addition, pursuant to the Company’s registration rights agreement with JPE and certain other investors party thereto, JPE has certain demand registration rights that may require us to conduct underwritten offerings of shares. Any shares of common stock sold in these offerings will be freely tradable. In the event such registration rights are exercised and a large number of shares of common stock is sold, such sales could reduce the trading price of our common stock. These sales also could impede our ability to raise future capital. We have also registered on Form S- 8 all shares of common stock that are issuable under our 2024 Omnibus Incentive Compensation Plan. As a consequence, these shares can be freely sold in the public market upon issuance. Any sales of shares by these stockholders could have a negative impact on the trading price of our common stock and result in dilution. An active,**

liquid trading market for our common stock may not develop or, if developed, may not be sustained. There has been limited trading volume of our common stock since we began trading on Nasdaq and, following the transfer of our listing in January 2025, the NYSE. An active, liquid trading market for our common stock may not be sustained. The lack of an active market may reduce the market price of our common stock, and you may not be able to sell your shares at an attractive price, or at all. An inactive market may also impair our ability to raise capital by selling shares of our common stock in the future and may impair our ability to enter into strategic collaborations or acquire companies by using our shares of common stock as consideration. If too few securities or industry analysts publish research, or publish inaccurate or unfavorable research, about our business, the price of our common stock and our trading volume could decline. The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If too few securities or industry analysts commence coverage of our Company, the trading price for our common stock would likely be negatively affected. Furthermore, if one or more of the analysts who cover us downgrade us or publish inaccurate or unfavorable research about our business, the price of our common stock would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause the price of our common stock and trading volume to decline. We currently do not intend to pay dividends on our common stock in the foreseeable future. As a result, your ability to achieve a return on your investment may depend on appreciation in the market price of our common stock. Although we have previously declared and paid cash dividends on our common stock, we currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board. Accordingly, investors must for the foreseeable future 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 investments. Raising additional equity capital from public or private markets to pursue our business plan may cause our existing holders of common stock to experience substantial dilution or their shares to have a significant decline in trading price. We may raise additional equity capital from public or private markets to pursue our business plan for acquisitions. Any future significant issuances of common stock could result in dilution to our existing holders of common stock. Moreover, any significant issuances of common stock or securities convertible into, or exercisable or exchangeable for, our common stock could result in a substantial decline in the trading price of our common stock. In particular, in June and July 2024 we did, and in the future we may, issue additional shares of common stock at a significant discount from the current trading price of our common stock. As a result, our common stockholders would experience immediate dilution upon the purchase of any shares of our common stock sold at such a discount. In addition, the perception that new issuances of our securities could occur could adversely affect the market price of our common stock. If we are unable to arrange additional future financing on acceptable terms, our ability to pursue potential acquisition opportunities or fund our working capital needs could be limited. We intend to finance acquisitions in part through additional equity and debt financings. Because the timing and size of acquisitions cannot be readily predicted, we may need to be able to obtain funding on relatively short notice to benefit fully from attractive acquisition opportunities. In addition, the Company will need to fund its ongoing working capital, capital expenditures and other financing requirements through cash flows from operations and new sources of financing. The sale of additional shares of any class of equity will be subject to market conditions and investor demand for such shares at prices that may not be in the best interest of our stockholders. The sale of additional equity securities could also result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. Such inability to obtain additional financing when needed could have a material adverse effect on our business, results of operations, cash flow, financial condition and prospects. New investors in future financing transactions could gain rights, preferences and privileges senior to those of the Company's existing stockholders. We expect that significant additional capital may be needed in the future to support our business growth. To the extent we raise additional capital by issuing common stock, convertible securities or other equity securities, investors may be materially diluted by subsequent sales. Such sales may also result in substantial dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to the holders of our common stock. Participants in the June and July 2024 private placements purchased securities in the Company at a price below the current trading price of such securities, and may experience a positive rate of return based on the current trading price. Future investors in our Company may not experience a similar rate of return. Pursuant to private placements, certain institutional and accredited investors acquired shares of our common stock at a purchase price of \$ 9. 14 per share and Pre- Funded Warrants to purchase shares of our common stock at a purchase price of \$ 9. 13999 per Pre- Funded Warrant. Furthermore, certain investors purchased Convertible Preferred Stock that is convertible into shares of our common stock at an initial conversion price of \$ 4. 566. Because the current market price of our common stock as of the date of this Annual Report is higher than the effective purchase price such investors paid for their securities, there may be a higher likelihood that such investors will sell their shares in the near term. Public investors who purchased our common stock on Nasdaq or, following the transfer of our listing in January 2025, NYSE may not experience a similar rate of return due to differences in the purchase prices they have paid and the purchase prices paid by such investors. The concentration of ownership by Mr. Jacobs and director designation rights may have the effect of delaying or preventing a change in control of the Company and could affect the market price of shares of our common stock. Our Chairman and Chief Executive Officer, Brad Jacobs, beneficially owns or controls approximately 31. 4 % of the voting power of our capital stock (including the voting power attributable to our preferred stock). This concentration of

ownership and voting power allows Mr. Jacobs to exert significant influence over our decisions, including matters requiring approval by our stockholders (such as, subject to certain limitations, the election of directors and the approval of mergers or other extraordinary transactions), regardless of whether or not other stockholders believe that the transaction is in their own best interests. In addition, under our Fifth Amended and Restated Certificate of Incorporation (the “ Charter ”), JPE, which is controlled by Mr. Jacobs, is currently entitled to designate a majority of persons to the Board in connection with each meeting of stockholders at which directors are to be elected because the investors (the “ Investors ”) party to the Investment Agreement (as defined below) beneficially own or control approximately 49.2 % of the voting power of our capital stock when calculated on a fully- diluted, as- converted basis, assuming the exercise of the Company Warrants. JPE currently holds 900,000 shares of Convertible Preferred Stock and 197,109,065 Warrants, which may be converted or exchanged into an aggregate of 394,218,132 shares of common stock. So long as the Investors party to the Investment Agreement collectively own or control (together with their affiliates) Convertible Preferred Stock, shares of common stock or other voting securities, or Warrants exercisable for such securities, representing, in the aggregate, at least 45 % of the total voting power of the capital stock of the Company, calculated on a fully- diluted, as- converted basis, JPE will continue to be entitled to designate a majority of persons to our Board. JPE’s right to designate persons to the Board will generally decrease proportionally together with a decrease in the Investors’ ownership or control (together with affiliates) of Convertible Preferred Stock, shares of common stock or other voting securities, or Warrants exercisable for such securities, calculated on a fully diluted, as-converted basis. Accordingly, Mr. Jacobs may be able to exercise significant influence over our business policies and affairs. Such concentration of voting power and designation rights could also have the effect of delaying, deterring or precluding a change of control or other business combination that might otherwise be beneficial to our stockholders, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock. Anti- takeover provisions contained in our Charter and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt. Our Charter and amended and restated bylaws contain, and the General Corporation Law of the State of Delaware (the “ DGCL ”) contains, provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our Board. These provisions provide for the following: • the right of JPE to designate a majority of our Board; • the ability of our remaining directors to fill vacancies on our Board; • limitations on stockholders’ ability to call a special stockholder meeting or act by written consent; • rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings; • the right of our Board to issue preferred stock without stockholder approval; and • the limitation of liability of, and provision of indemnification to, our directors and officers. These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. In addition, we are subject to Section 203 of the DGCL, which could have the effect of delaying or preventing a change of control that you may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with persons that acquire, more than 15 % of the outstanding voting stock of a Delaware corporation may not engage in a business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three- year period following the date on which that person or any of its affiliates becomes the holder of more than 15 % of the corporation’s outstanding voting stock. Any provision of our Charter, our amended and restated bylaws, or the DGCL that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. Our Charter provides that certain courts in the State of Delaware or the federal district courts of the United States for certain types of lawsuits is the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our Charter provides that, unless we consent in writing to the selection of an alternative forum, a state court located within the State of Delaware is the sole and exclusive forum for: i) any derivative action or proceeding brought on our behalf, ii) any action asserting a claim for or based on a breach of a fiduciary duty owed by any of our directors, officers or employees to us or our stockholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty, iii) any action asserting a claim against us or any of our directors, officers or employees arising pursuant to any provision of the DGCL or of our Charter or our amended and restated bylaws (as either may be amended and / or restated from time to time), iv) any action asserting a claim related to or involving us that is governed by the internal affairs doctrine, or v) any action asserting an “ internal corporate claim ” as defined under the DGCL. The exclusive forum provision does not apply to claims arising under the Securities Act of 1933, as amended (the “ Securities Act ”), the Exchange Act or other federal securities laws for which there is exclusive federal or concurrent federal and state jurisdiction. Unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, the Exchange Act or such other federal securities laws. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and, to the fullest extent permitted by law, to have consented to the provisions of our Charter described above. Although we believe this exclusive forum provision benefits us by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, other employees or stockholders, which may discourage such lawsuits against us and our directors, officers, other employees or stockholders. However, the enforceability of similar forum provisions in other companies’ certificates of incorporation

has been challenged in legal proceedings. If a court were to find the exclusive choice of forum provision contained in our Charter to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations.

Risks Related to our Management We are highly dependent on the continued leadership of Brad Jacobs as Chairman and Chief Executive Officer. The possibility of the loss of Mr. Jacobs in these roles could have a material adverse effect on the Company's business, financial condition, and results of operations. We are highly dependent on the leadership of Brad Jacobs as Chairman and Chief Executive Officer and we have benefited substantially from his leadership and performance. Our ability to successfully implement our business strategy depends to a significant extent on the continued service and performance of Mr. Jacobs. The loss of Mr. Jacobs' services could impair our ability to execute our business plan and could, therefore, have a material adverse effect on our business, financial condition and results of operations. The past performance by Brad Jacobs or our management team may not be indicative of future performance or results. Past performance by Brad Jacobs or our management team, including transactions in which they have participated and businesses with which they have been associated, may not be representative of our future performance or the returns the Company will generate going forward. Our financial condition and results of operations may be influenced by numerous factors, some of which are beyond our control. You should not rely on the historical record of Mr. Jacobs or our management team as indicative of the future performance of an investment of our Company. Our success depends upon the retention of our senior management as well as our ability to attract and retain key talent. Our continued success depends, in part, on the efforts and abilities of our senior management team and other key employees. While certain of our executive officers and key employees are subject to long-term compensatory arrangements, there can be no assurance that we will be able to retain all key members of our senior management. Difficulties in hiring or retaining key executive or other employee talent, or the unexpected loss of experienced employees, could have an adverse impact on our business, financial condition or results of operations.

Risks Related to Acquisitions The failure to consummate acquisitions expeditiously, or at all, could have a material adverse effect on our business prospects, financial condition, results of operations or the price of our common stock. Acquisitions are an important component of our business strategy, as we intend to operate a company focused on building products distribution, but currently do not have any operations in this sector. Acquisition opportunities are likely to arise from time to time, and any such acquisition could be significant. The evaluation of each specific acquisition target business and the negotiation, drafting and execution of relevant transaction agreements and other ancillary documents, disclosure documents and other instruments, requires substantial management time and attention, as well as costs related to fees payable to counsel, accountants and other third parties. Our ability to consummate an acquisition is dependent on a number of factors and conditions that require time, attention and collaboration across multiple parties, including receipt of all necessary regulatory approvals of the contemplated transaction. Certain acquisition opportunities may not result in the consummation of a transaction. When an identified transaction is not consummated, we are not able to recover the cost spent pursuing such transaction, which reduces the amount of capital available for other identified targets. Failure to complete an acquisition could adversely affect our business as we could be required to pay a termination fee under certain circumstances or be subject to litigation, and our stock price may also suffer as the failure to consummate such an acquisition may result in negative perception in the investment community. Additionally, we may not be able to identify or execute alternative arrangements on favorable terms, if at all. If we fail to consummate and integrate our acquisitions in a timely and cost-effective manner, our business, financial condition and results of operations could be adversely affected. We may not be able to successfully integrate the businesses that we acquire and fail to realize the anticipated benefits and our business could be negatively affected from unexpected ~~our~~ or contingent liabilities. We may not be able to successfully integrate operations that we acquire, including their personnel, financial systems, distribution or operating procedures. The integration process may entail significant costs and delays. The integration of operations and personnel may place a significant burden on management and other internal resources. The attention of our management may be directed towards integration considerations and may be diverted from our day-to-day operations, and matters related to the integration may require commitments of time and resources that could otherwise have been devoted to other opportunities that might have been beneficial to us and our business. Our failure to integrate the operations of companies successfully could adversely affect our business, financial condition, results of operations and prospects. In addition, we may fail to identify material problems or liabilities during due diligence review of acquisition targets prior to acquisition, and acquire entities with unknown or contingent liabilities, costs and problems. Further, we may significantly increase our leverage in connection with an acquisition, which could increase our future debt service obligations and limit our flexibility to pursue additional strategic acquisitions. As a result, any acquisitions may not provide the anticipated benefits and our business, financial condition and results of operations could be adversely affected. We face competition for businesses that fit our acquisition strategy and, therefore, we may have to acquire targets at sub-optimal prices or, alternatively, forego certain acquisition opportunities. Our acquisition strategy is focused on the acquisition of businesses in the building products distribution industry. In pursuing such acquisitions, we may face competition from other potential purchasers. Although the pool of potential purchasers for such businesses is typically small, those potential purchasers can be aggressive in their approach to acquiring such businesses. Furthermore, we may need to use third-party financing in order to fund some or all of these potential acquisitions, thereby increasing our acquisition costs. To the extent that other potential purchasers do not need to obtain third-party financing or are able to obtain such financing on more favorable terms, they may be in a position to be more aggressive with their acquisition proposals. As a result, in order to be competitive, our acquisition proposals may need to be aggressively priced, including at price levels that exceed what we originally determined to be achievable. Alternatively,

we may determine that we cannot pursue on a cost-effective basis what would otherwise be an attractive acquisition opportunity. Risks Related to Our Industry Our industry is highly fragmented and competitive. If we are unable to compete effectively, our net sales and operating results may be reduced. The building products distribution industry is highly fragmented and competitive, and the barriers to entry for local competitors are relatively low. Competitive factors in our industry include pricing, availability of products, service, delivery capabilities, customer relationships, geographic coverage, and breadth of product offerings. Also, financial stability is important to suppliers and customers in choosing distributors for their products, and it affects the favorability of the terms on which we would be able to obtain our products from suppliers and sell products to our customers. Some of our competitors may be part of larger companies, and, therefore, may have access to greater financial and other resources than those to which we have access. We may not be able to maintain our costs at a level sufficiently low for us to compete effectively. If we are unable to compete effectively, any future net sales and net income may be reduced. Our industry is highly cyclical, and prolonged periods of weak demand or excess supply may reduce our net sales and / or margins, which may cause us to incur losses or reduce our net income. The building products distribution industry is subject to cyclical market pressures and market prices of building products historically have been volatile and cyclical. Prices of building products are determined by overall supply and demand in the market and we have limited ability to control the timing and amount of pricing changes. Demand for building products is driven mainly by factors outside of our control, such as general economic and political conditions, interest rates, governmental subsidies and incentives, availability of mortgage financing, inflation, the construction, repair and remodeling markets, industrial markets, housing supply, weather conditions, commodity prices and population growth. The supply of building products fluctuates based on available manufacturing capacity, and excess capacity in the industry can result in significant declines in market prices for those products. To the extent that prices and volumes experience a sustained or sharp decline, any future net sales and margins likely would decline as well. If we have meaningful fixed costs, a decrease in sales and margin generally would have a significant adverse impact on our financial condition, operating results, and cash flows. Regional or global barriers to trade or a global trade war could increase the cost of products in the building products distribution industry, which could adversely impact the competitiveness of such products and the financial results of businesses in the industry. The state of relationships between other countries and the United States with respect to trade policies, government relations and tariffs may impact our business. The U. S. government has and continues to make significant changes in U. S. trade policy and has taken certain actions that could negatively impact U. S. trade, including imposing tariffs on certain goods imported into the United States. There is concern that the imposition of tariffs by the United States could result in the adoption of tariffs or retaliatory measures by other countries, leading to a global trade war. Such tariffs or sanctions could raise the cost and reduce the supply of building materials and components. Our success in markets we may choose to enter in the future depends substantially on our ability to source local materials on terms that are favorable to us. In the event of a global trade war or regional dispute, local suppliers may choose to allocate their resources to local players in their markets and provide us with less favorable terms. Building products shortages and price increases for building products could cause distribution delays and increase our costs, which in turn could reduce our competitiveness and impact our ability to do business with certain counterparties. General geopolitical instability and the responses to it, such as the possibility of sanctions, trade restrictions and changes in tariffs, including tariffs imposed by the United States and China, and the possibility of additional tariffs, non-tariff barriers or other trade restrictions between the United States and other countries where we might in the future distribute or sell products, could adversely impact our business. If we fail to anticipate and manage any of these dynamics successfully, our business, financial condition and results of operations could be adversely affected. Risks Related to Our Legacy Business Our legacy business may fail to develop new products or may incur unexpected expenses or delays. Although our legacy business currently has fully developed products available for sale, our legacy business may need to develop various new technologies and, products and product features and remain competitive. Due to the risks inherent in developing new products and technologies — limited financing, loss of key personnel, and other factors — our legacy business may fail to develop these technologies and products or may experience lengthy and costly delays in doing so. Although the legacy business licenses some of our technologies in their current stage of development, we cannot assure that the legacy business will be able to develop new products or enhancements to our existing products in order to remain competitive. If the technologies and products of our legacy business contain defects or otherwise do not work as expected, we may incur significant expenses in attempting to correct these defects or in defending lawsuits over any such defects. Software products are not currently accurate in every instance and may never be. Furthermore, we our legacy business could inadvertently release products and technologies that contain defects. In addition, third-party technology that we is include included in our such products could contain defects. We may incur significant expenses to correct such defects. Clients who are not satisfied with our such products or services could bring claims against us for substantial damages. Such claims could cause us to incur significant legal expenses and, if successful, could result in the plaintiffs being awarded significant damages. The software and technology industry Our payment of any such expenses or damages could prevent us from becoming profitable. Our success is highly dependent upon competitive. If our legacy business cannot develop and market desirable products that the public is willing to purchase, such business will not be able to compete successfully. Our legacy business has many potential competitors in the software industry. The ability of our legacy business to compete against effectively may be adversely affected by the ability of these competitors to devote that have significantly greater resources to the development, sales, and marketing of their products than we are available to our legacy business. Some of our legacy business's competitors, also, offer a wider range of software products, have. The ERP software, MSP and business consulting industries are highly competitive, and we believe that this competition will intensify. Many of our competitors have longer operating histories, significantly greater

financial, technical, product development and marketing resources, greater name recognition and larger client **more extensive customer** bases than we do **our legacy business**. Our ~~These~~ competitors **may be able** ~~could use these resources to market~~ **respond more quickly to new** or develop products or services **changing opportunities, customer desires, as well as undertake more extensive promotional activities, offer terms** that are more effective or less costly **attractive to customers and adopt more aggressive pricing policies** than **our legacy business**. We cannot provide any **assurances** or all of our products or services or that could render any or **our all of legacy business will be able to compete successfully against present our or future** products or services obsolete. Our competitors could also **or that the competitive pressure will not force** use ~~us~~ their economic strength to **cease operations of our legacy business** influence the market to continue to buy their existing products. If we are not able to protect our trade secrets through enforcement of our confidentiality and non-competition agreements, then we **our legacy business** may not be able to compete effectively, ~~and we may not be profitable~~. We attempt to protect ~~our the~~ trade secrets, including the processes, concepts, ideas and documentation associated with our technologies **for our legacy business**, through the use of confidentiality agreements and non-competition agreements with our current employees and with other parties to whom we have divulged such trade secrets. If the employees or other parties breach our confidentiality agreements and non-competition agreements or if these agreements are not sufficient to protect our technology or are found to be unenforceable, our competitors could acquire and use information that we consider to be our trade secrets and we **our legacy business** may not be able to compete effectively. ~~Some of our competitors have substantially greater financial, marketing, technical and manufacturing resources than we have, and we may not be profitable if our competitors are also able to take advantage of our trade secrets. Our failure to secure trademark registrations could adversely affect our ability to market our product candidates and our business. Our trademark applications in the United States and any other jurisdictions where we may file may be denied, and we may not be able to maintain or enforce our registered trademarks. During trademark registration proceedings, we may receive rejections. Although we are given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, with respect to the United States Patent and Trademark Office and any corresponding foreign agencies, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our applications and/or registrations, and our applications and/or registrations may not survive such proceedings. Failure to secure such trademark registrations in the United States and in foreign jurisdictions could adversely affect our ability to market our product candidates and our business. We may unintentionally infringe on the proprietary rights of others. Many lawsuits currently are being brought in the software industry alleging violation of intellectual property rights. Although we do not believe that we are infringing on any patent rights, patent holders may claim that we are doing so. Any such claim would likely be time-consuming and expensive to defend, particularly if we are unsuccessful, and could prevent us from selling our the products or services of our legacy business. In addition, we may also be forced to enter into costly and burdensome royalty and licensing agreements. Our The industry of our legacy business is characterized by rapid technological change and failure to adapt our its product development to these changes may cause our its products to become obsolete. We Our legacy business participate participates in a highly dynamic industry characterized by rapid change and uncertainty relating to new and emerging technologies and markets. Future technology or market changes may cause some of our its products to become obsolete more quickly than expected. The trend toward consolidation in our the industry of our legacy business may impede our its ability to compete effectively. As consolidation in the software industry continues, fewer companies dominate particular markets, changing the nature of the market and potentially providing consumers with fewer choices. Also, many of these companies offer a broader range of products than us our legacy business, ranging from desktop to enterprise solutions. We Our legacy business may not be able to compete effectively against these competitors. Furthermore, we may use strategic acquisitions, as necessary, to acquire technology, people and products for our overall product strategy. The trend toward consolidation in our industry may result in increased competition in acquiring these technologies, people or products, resulting in increased acquisition costs or the inability to acquire the desired technologies, people or products. General Risks Any of these changes may have a significant adverse effect on our future revenues and operating results. We face intense price-based competition for licensing of our products may be subject to periodic litigation, regulatory proceedings and enforcement actions, which could reduce profit margins may adversely affect our business and financial performance. Price From time to time, we are involved in lawsuits, regulatory proceedings and enforcement actions, brought or threatened against us in the ordinary course of business. Our business is subject to the risk of claims involving current and former employees, affiliates, suppliers, competition-competitors, stockholders, government regulatory agencies or others through private actions, class actions, whistleblower claims, administrative proceedings, antitrust enforcement, regulatory actions or other proceedings. Due to the inherent uncertainties of litigation, it is often difficult intense in the software market. Price competition may continue to accurately predict increase and become even more significant in the future, resulting in reduced profit margins ultimate outcome of any such actions or proceedings. The software outcome of litigation, particularly class action lawsuits and technology industry regulatory actions, is highly competitive often difficult to assess or quantify, as plaintiffs may seek injunctive relief or recovery of very large or indeterminate amounts in these types of lawsuits, and the magnitude of the potential loss may remain unknown for substantial periods of time. If In addition, plaintiffs in many types of actions may seek punitive damages, civil penalties, consequential damages or other losses, or injunctive or declaratory relief. These proceedings or actions could result in substantial cost and may require us to devote substantial resources to defend ourselves and distract our management from the operation of our business. While we cannot develop maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and market desirable products that the public is willing subject to various exclusions purchase, we will not be able to compete successfully. Our business may be adversely affected, and we may not be able to generate any revenues. We have many potential competitors in the software industry. We consider the competition to be competent, experienced, and may have greater~~

financial and marketing resources than we do. Our ability to compete effectively may be adversely affected by the ability of these competitors to devote greater resources to the development, sales, and marketing of their products than are available to us. Some of the Company's competitors, also, offer a wider range of software products, have greater name recognition and more extensive customer bases than the Company. These competitors may be able to respond more quickly to new or changing opportunities, customer desires, as well as undertake more extensive promotional activities, offer terms **caps on amounts recoverable**. We may therefore incur significant expenses defending any such suit or government charge and may be required to pay amounts or otherwise change our operations in ways that are more attractive to customers **could adversely affect our results of operations and adopt more aggressive pricing policies** **financial condition**. The price of our common stock has fluctuated significantly in the past and may be highly volatile, with extreme price and volume fluctuations. Sales of a substantial number of shares of our common stock by holders of registrable securities, or the perception that sales will be made in the Company public market, could depress the market price of our common stock and result in further volatility. As a result of such volatility in the market price of our common stock, we may in the future become the subject of securities class action litigation, which could result in substantial costs and distract management's attention and resources. We cannot provide **could be affected by cyberattacks or breaches of our information systems**, any assurances that we will be able to compete successfully against present or future competitors or that the competitive pressure we may encounter will not force us to cease operations. If there are events or circumstances affecting the reliability or security of the internet, access to our website and / or the ability to safeguard confidential information could be impaired causing a negative effect on the financial results of our business operations. Despite the implementation of security measures, our website infrastructure may be vulnerable to computer viruses, hacking or similar disruptive problems caused by members, other internet users, other connected internet sites, and the interconnecting telecommunications networks. Such problems caused by third parties could lead to interruptions, delays or cessation of service to our customers. Inappropriate use of the internet by third parties could also potentially jeopardize the security of confidential information stored in our computer system, which may deter individuals from becoming customers. Such inappropriate use of the internet includes attempting to gain unauthorized access to information or systems, which is commonly known as "cracking" or "hacking." Although we have implemented security measures, such measures have been circumvented in the past by hackers on other websites on the internet, although our networks have never been breached, and there can be no assurance that any measures we implement would not be circumvented in the future. Dealing with problems caused by computer viruses or other inappropriate uses or security breaches may require interruptions, delays or cessation of service to our customers, which could have a material adverse effect on our business. We may be subject to cybersecurity attacks and other intentional hacking. Any failure to identify and address such defects or errors or prevent a cyberattack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to our customers or others, the diversion of corporate resources, harm to our reputation or increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to the resulting claims or liability could similarly involve substantial cost. Also, due to recent advances in technology and well-known efforts on the part of computer hackers and cyber-terrorists to breach data security of companies, we face risks associated with potential failure to adequately protect critical corporate, customer and employee data, which, if released, could adversely impact our customer relationships, our reputation, and violate privacy laws. Recently, regulatory and enforcement focus on data protection has heightened in the United States. Failure to comply with applicable data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties, which could harm our business, our reputation, results of operations and financial condition and results of operations. A failure **if we lose the services of any of our information technology infrastructure, information systems, networks our or key personnel processes may materially adversely affect** our business may suffer. We are dependent on Mark Meller, our Chief Executive Officer, and other key employees in our operating subsidiary SWK. The loss **efficient operation** of any of our key personnel could materially harm our business because of the cost and time necessary to retain and train a replacement. Such a loss would also divert management attention away from operational issues. To service our debt obligations, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond **our information technology systems**. We rely on our information technology systems to effectively manage our sales and marketing, financial, legal and compliance functions, communications and other business processes. We also rely on third parties and virtualized infrastructure to operate our information technology systems. Despite significant testing for risk management, external and internal risks, such as malware, insecure coding, "Acts of God," data leakage and human error pose a direct threat to the stability **our or control effectiveness of our information technology systems and operations**. The failure of our information technology systems to perform as we anticipate could adversely affect our business through transaction errors, billing and invoicing errors, internal recordkeeping and reporting errors and processing inefficiencies. Any such failure to repay our outstanding indebtedness as it matures, could materially result in harm to our reputation and have an ongoing adversely **adverse impact on** our business, prospects, results of operations and financial condition, liquidity, results of operations and cash flows **including after the underlying failures have been remedied**. Our ability to satisfy **Further, the delay our or debt obligations failure to implement information system upgrades and repay new systems effectively could disrupt or our** refinance our maturing indebtedness will depend principally upon our future operating performance. As a result, prevailing economic conditions and financial, business, **distract** legislative, regulatory and other factors, many of which are beyond our control, will affect our ability to make payments on our debt. If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, incurring additional debt, issuing equity or convertible securities, reducing discretionary expenditures and selling certain assets (or combinations thereof). Our ability to execute such alternative financing plans will depend on the capital markets and our financial condition at such time. In addition, our ability to execute such alternative financing plans may be

subject to certain restrictions under our existing indebtedness. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants compared to those associated with any debt that is being refinanced, which could further restrict our business operations. Our inability to generate sufficient cash flow to satisfy our debt obligations, or our inability to refinance our debt obligations on commercially reasonable terms or at all, would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows. Computer Malware, Viruses, Hacking, Phishing Attacks and Spamming Could Harm Our Business and Results of Operations. Computer malware, viruses, physical or electronic break-ins and similar disruptions could lead to interruption and delays in our services and operations and loss, misuse or theft of data. Computer malware, viruses, computer hacking and phishing attacks against online networking platforms have become more prevalent and may occur on our systems in the future. Any attempts by hackers to disrupt our website service or our internal systems, if successful, could harm our business, be expensive to remedy and damage our reputation or brand. Our network security business disruption insurance may not be sufficient to cover significant expenses and losses related to direct attacks on our website or internal systems. Efforts to prevent hackers from entering our computer systems are expensive to implement and may limit the functionality of our services. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security and availability of our products and services and technical infrastructure may harm our reputation, brand and our ability to attract customers. Any significant disruption to our website or internal computer systems could result in a loss of customers and could adversely affect our business and results of operations. We have previously experienced, and may in the future experience, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, third-party service providers, human or software errors and capacity constraints. If our services are unavailable when customers attempt to access them or they do not load as quickly as they expect, customers may seek other services. Some errors in our software code may only be discovered after the code has been deployed. Any errors, bugs, or vulnerabilities discovered in our code after deployment, inability to identify the cause or causes of performance problems within an acceptable period of time or difficulty maintaining and improving the performance of our platform, particularly during peak usage times, could result in damage to our reputation or brand, loss of revenues, or liability for damages, any of which could adversely affect our business and financial results. We expect to continue to make significant investments to maintain and improve our software and to enable rapid releases of new features and products. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be harmed. We have a disaster recovery program to transition our operating platform and data to a failover location in the event of a catastrophe and have tested this capability under controlled circumstances, however, there are several factors ranging from human error to data corruption that could materially lengthen the time our platform is partially or fully unavailable to our user base as a result of the transition. If our platform is unavailable for a significant period of time as a result of such a transition, especially during peak periods, we could suffer damage to our reputation or brand, or loss of revenues any of which could adversely affect our business and financial results. We need to manage growth in operations to realize our growth potential and achieve our expected revenues, and our failure to manage growth will cause a disruption of our operations resulting in the failure to generate revenue and an impairment of our long-lived assets. In order to take advantage of the growth that we anticipate in our current and potential markets, we believe that we must expand our sales and marketing operations. This expansion will place a significant strain on our management and our operational, accounting, and information systems. We expect that we will need to continue to improve our financial controls, operating procedures and management information systems. We will also need to effectively train, motivate and manage our employees. Our failure to manage our growth could disrupt our operations and ultimately prevent us from generating the revenues we expect. In order to achieve the above-mentioned targets, the general strategies of our Company are to maintain and search for hard-working employees who are innovative and creative, as well as to keep a close eye on expansion opportunities through merger and/or acquisition. We face risks arising from acquisitions. We may pursue strategic acquisitions in the future. Risks in acquisition transactions include difficulties in the integration of acquired assets into our operations and control environment, difficulties in assimilating and retaining employees and intermediaries, difficulties in retaining the existing clients of the acquired entities, assumed or unforeseen liabilities that arise in connection with the acquired assets or businesses, the failure of counterparties to satisfy any obligations to indemnify us against liabilities arising from the acquired assets or businesses, and unfavorable market conditions that could negatively impact our growth expectations for the acquired assets or businesses. Fully integrating an acquired company or business into our operations may take a significant amount of time. We cannot assure you that we will be successful in overcoming these risks or any other problems encountered with acquisitions and other strategic transactions. These risks may prevent us from realizing the expected benefits from acquisitions and could result in the failure to realize the full economic value of a strategic transaction or the impairment of goodwill and/or intangible assets recognized at the time of an acquisition. These risks could be heightened if we complete a large acquisition or multiple acquisitions within a short period of time. Risks Related to the Separation and the Distribution SilverSun's separation into two independent, publicly traded companies is complex in nature, and unanticipated developments or changes, including changes in the law, the macroeconomic environment, competitive conditions of SilverSun's markets, regulatory approvals or clearances, the uncertainty of the financial markets and challenges in executing the Separation, could delay or prevent the completion of the proposed separation, or cause the separation to occur on terms or conditions that are different or less favorable than expected. The process of completing the proposed separation has been and is expected to continue to be time-consuming and involves significant costs and expenses. The Separation costs may be significantly higher than what we currently anticipate and may not yield a discernible benefit if the Separation is not completed or is not well-executed, or the expected benefits of the Separation are not realized. Executing the proposed Separation will also require significant amounts of management's time focus and effort, which may divert management's attention from **our business operations, and increase our implementation and**

operating costs and growing our business. Other challenges associated with effectively executing the separation include attracting, any retaining and motivating employees during the pendency of which could negatively impact the Separation and following its completion; addressing disruptions to our procurement, sales and distribution, and other operations resulting from separating SilverSun into two independent companies. We may not realize the anticipated benefits from the Separation and the Distribution, and the Separation and the Distribution could harm our business. We may not be able to achieve the full strategic and financial benefits expected to result from the Separation and the Distribution and our realization of such benefits may be delayed or not occur at all. The Separation and the Distribution are designed to enhance strategic and management focus; provide a distinct investment identity, and allow us to efficiently allocate resources and deploy capital. We may not achieve these and other anticipated benefits for a variety of reasons, including the following: ● the Separation and the Distribution will require significant amounts of management's time and effort, which may divert management's attention from operating and growing our business; and ● actions required to separate the respective businesses could disrupt our operations. If we fail to achieve some or all of the benefits expected to result from the Separation and the Distribution, or if such benefits are delayed, our business could be harmed. In connection with the Separation and the Distribution, we and SilverSun Holdings will indemnify each other for certain liabilities, we may need to divert cash to meet those obligations if we are required to act under these indemnities to SilverSun Holdings, and SilverSun Holdings may not be able to satisfy its indemnification obligations to us in the future. Pursuant to the Separation Agreement and other agreements with SilverSun Holdings, SilverSun Holdings will agree to indemnify us for certain liabilities and we will agree to indemnify SilverSun Holdings for certain liabilities, as discussed further in "The Separation and the Distribution." Payments that we may be required to provide under indemnities to SilverSun Holdings may be significant and could negatively affect our business. Third parties could also seek to hold us responsible for the liabilities that SilverSun Holdings has agreed to retain and, under certain circumstances, we may be subject to continuing contingent liabilities of SilverSun Holdings following the Separation and the Distribution that arise relating to the operations of the spun-out businesses during the time prior to the Separation and the Distribution. SilverSun Holdings has agreed to indemnify us for such contingent liabilities. While we have no reason to expect that SilverSun Holdings will not be able to support its indemnification obligations to us, we can provide no assurance that SilverSun Holdings will be able to fully satisfy its indemnification obligations or that such indemnity obligations will be sufficient to cover our liabilities for matters which SilverSun Holdings has agreed to retain, including such contingent liabilities. Moreover, even if we ultimately succeed in recovering from SilverSun Holdings any amounts for which we are indemnified, we may be temporarily required to bear these losses ourselves. Each of these risks could have a material adverse effect on our business, operating results, and financial condition. The one-time and ongoing costs of the Separation and the Distribution may be greater than we expect. We will incur significant costs in connection with the Separation and the Distribution. These costs, whether incurred before or after the Separation and the Distribution, may be greater than anticipated and could have a material adverse effect on our business, financial condition, results of operations and cash flows. We will share responsibility for certain of our and SilverSun's Holdings' income tax liabilities for tax periods ending prior to or including the Distribution Date. In connection with the Distribution, we will enter into the Tax Matters Agreement with SilverSun Holdings which will govern our and SilverSun Holdings' rights and obligations with respect to certain pre-Distribution tax liabilities. To the extent we are responsible for any liability under the Tax Matters Agreement, there could be a material adverse impact on our business, financial condition, results of operations and cash flows in future reporting periods. We or SilverSun Holdings may fail to perform under various transaction agreements that will be executed as part of the Separation and the Distribution. Prior to the Distribution, we and SilverSun Holdings will enter into various transaction agreements related to the Separation and the Distribution. All of these agreements will also govern our relationship with SilverSun Holdings following the Separation and the Distribution. We will rely on SilverSun Holdings to satisfy its performance obligations under these agreements. If we or SilverSun Holdings are unable to satisfy our respective obligations pursuant to the Separation Agreement, the Tax Matters Agreement and the Employee Matters Agreement, including indemnification obligations, our business, results of operations, cash flows, and financial condition could be adversely affected. The Distribution will be taxable to SilverSun stockholders who receive shares of SilverSun Holdings' common stock in the Distribution for U. S. federal income tax purposes. Each U. S. Holder (as defined in the section of this information statement titled "Material U. S. Federal Income Tax Consequences of the Distribution") of SilverSun common stock that receives shares of SilverSun Holdings common stock in connection with the Distribution will be treated as receiving a taxable distribution in an amount equal to the fair market value of the shares of SilverSun Holdings common stock received. Such distribution generally will be taxed as a dividend to the extent of such holder's ratable share of SilverSun's current or accumulated earnings and profits (including the SilverSun's taxable gain, if any, recognized in connection with the Distribution and the Dividend), with any excess treated as a non-taxable return of capital to the extent of such holder's basis in its SilverSun common stock and any remaining excess treated as capital gain from the sale or exchange of SilverSun common stock. Although SilverSun will be ascribing a value to the shares of SilverSun Holdings common stock in the Distribution for tax purposes, this valuation is not binding on the IRS or any other tax authority. These tax authorities could ascribe a higher valuation to those shares, particularly if shares of SilverSun Holdings common stock trade at prices significantly above the value ascribed to those shares by SilverSun in the period following the Distribution. Such higher valuation may cause a larger reduction in the tax basis of a U. S. Holder's shares of SilverSun common stock or may cause a U. S. Holder to recognize additional dividend or capital gain income. SilverSun will not be able to advise U. S. Holders of the amount of its earnings and profits until after the end of the calendar year in which the Distribution occurs. However, SilverSun anticipates that it will recognize capital gain for U. S. federal income tax purposes in connection with the Distribution that will have the effect of increasing its earnings and profits for the year in which the Distribution occurs. The tax consequences to you related to the Distribution will depend on your particular facts and circumstances. You are urged to consult your tax advisors as to the specific tax consequences to you. Holders who are not U. S. Holders are urged to consult with their tax advisor regarding

the U. S. federal income tax consequences of the Distribution and the Dividend. Following the Distribution, certain of our directors and employees may have actual or potential conflicts of interest because of their positions with or financial interests in SilverSun. After the Closing, the Investors will own approximately 99.85% of SilverSun's common stock on an as-converted, as-exercised basis. Certain of our expected executive officers and directors may continue to own equity interests in SilverSun following the Distribution. These factors could create, or appear to create, potential conflicts of interest to the extent that we and SilverSun Holdings face decisions that could have different implications for the two companies. For example, potential conflicts of interest could arise in connection with the resolution of any dispute that may arise between SilverSun Holdings and us regarding the terms of the agreements governing the Separation and the relationship thereafter between the companies.

Risks Related to Our Securities The market price of our common stock is likely to be volatile and could subject us to litigation. The market price of our common stock has been and is likely to continue to be subject to wide fluctuations. Factors affecting the market price of our common stock include: • variations in our operating results, earnings per share, cash flows from operating activities, deferred revenue, and other financial metrics and non-financial metrics, and how those results compare to analyst expectations; • issuances of new stock which dilutes earnings per share; • forward-looking guidance to industry and financial analysts related to future revenue and earnings per share; • the net increases in the number of customers and customers paying subscriptions, either independently or as compared with published expectations of industry, financial or other analysts that cover our company; • changes in the estimates of our operating results or changes in recommendations by securities analysts that elect to follow our common stock; • announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors; • announcements by us or by our competitors of mergers or other strategic acquisitions, or rumors of such transactions involving us or our competitors; • announcements of customer additions and customer cancellations or delays in customer purchases; • recruitment or departure of key personnel; and • trading activity by a limited number of stockholders who together beneficially own a majority of our outstanding common stock. In addition, if the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price of our common stock might also decline in reaction to events that affect other companies within, or outside, our industries even if these events do not directly affect us. Some companies that have experienced volatility in the trading price of their stock have been the subject of securities class action litigation. If we are to become the subject of such litigation, it could result in substantial costs and a diversion of management's attention and resources. We currently have a limited trading volume, which results in higher price volatility for, and reduced liquidity of, our common stock. There has been limited trading of our common stock since we began trading on the NASDAQ Capital Market ("NASDAQ") in April 2017, meaning that the number of persons interested in purchasing our common stock at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a smaller reporting company that is relatively unknown to stock analysts, stockbrokers, institutional investors and others in the investment community who generate or influence sales volume. Even in the event that we come to the attention of such persons, they would likely be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we become more seasoned and viable. As a consequence, our stock price may not reflect an actual or perceived value. Also, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer that has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. A broader or more active public trading market for our common shares may not develop or if developed, may not be sustained. Due to these conditions, you may not be able to sell your shares at or near ask prices or at all if you need money or otherwise desire to liquidate your shares. Although our shares have been approved for listing on the NASDAQ, our shares may be subject to potential delisting if we do not meet or continue to maintain the listing requirements of the NASDAQ. Our shares have been approved for and are currently trading on NASDAQ; however, Nasdaq has rules for continued listing, including, without limitation, minimum market capitalization and other requirements. Failure to maintain our listing, or delisting from Nasdaq, would make it more difficult for shareholders to dispose of our common stock and more difficult to obtain accurate price quotations on our common stock. This could have an adverse effect on the price of our common stock. Our ability to issue additional securities for financing or other purposes, or otherwise to arrange for any financing we may need in the future, may also be materially and adversely affected if our common stock is not traded on a national securities exchange. In order to raise sufficient funds to expand our operations, we may have to issue additional securities at prices which may result in substantial dilution to our shareholders. If we raise additional funds through the sale of equity or convertible debt, our current stockholders' percentage ownership will be reduced. In addition, these transactions may dilute the value of our common shares outstanding. We may also have to issue securities that may have rights, preferences and privileges senior to our common stock. Possible adverse effect of issuance of preferred stock. Our Certificate of Incorporation authorizes the issuance of 1,000,000 shares of preferred stock, of which all shares are available for issuance, with designations, rights and preferences as determined from time to time by the Board of Directors. As a result of the foregoing, the Board of Directors can issue, without further shareholder approval, preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of Common Stock. The issuance of preferred stock could, under certain circumstances, discourage, delay or prevent a change in control of the Company. Our stock price could fall and we could be delisted from the NASDAQ in which case U. S. Broker-Dealers may be discouraged from effecting transactions in shares of our common stock because they may be considered penny stocks and thus be subject to the penny stock rules. The SEC has adopted a number of rules to regulate "penny stock" that restricts transactions involving stock which is deemed to be penny stock. Such rules include Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Securities and Exchange Act of 1934, as amended. These rules may have the effect of reducing the liquidity of penny stocks. "Penny stocks" generally are equity securities with a price of less than \$ 5.00 per share (other than securities registered on certain national securities

exchanges or quoted on the NASDAQ Stock Market if current price and volume information with respect to transactions in such securities is provided by the exchange or system). Our securities have in the past constituted, and may again in the future constitute, "penny stock" within the meaning of the rules. The additional sales practice and disclosure requirements imposed upon U. S. broker-dealers may discourage such broker-dealers from effecting transactions in shares of our common stock, which could severely limit the market liquidity of such shares and impede their sale in the secondary market. A U. S. broker-dealer selling penny stock to anyone other than an established customer or "accredited investor" (generally, an individual with net worth in excess of \$ 1, 000, 000 or an annual income exceeding \$ 200, 000, or \$ 300, 000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the "penny stock" regulations require the U. S. broker-dealer to deliver, prior to any transaction involving a "penny stock", a disclosure schedule prepared in accordance with SEC standards relating to the "penny stock" market, unless the broker-dealer or the transaction is otherwise exempt. A U. S. broker-dealer is also required to disclose commissions payable to the U. S. broker-dealer and the registered representative and current quotations for the securities. Finally, a U. S. broker-dealer is required to submit monthly statements disclosing recent price information with respect to the "penny stock" held in a customer's account and information with respect to the limited market in "penny stocks". Stockholders should be aware that, according to SEC, the market for "penny stocks" has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) "boiler room" practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, resulting in investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.