

Risk Factors Comparison 2024-03-28 to 2023-03-30 Form: 10-K

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

An investment in our common stock involves a high degree of risk. You should carefully consider the following risks and all of the other information contained in this report before deciding whether to invest in our common stock. If any of the following risks are realized, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our common stock could decline and you could lose all or part of your investment in our common stock. Additional risks of which we are not presently aware or that we currently believe are immaterial may also harm our business and results of operations. Some statements in this report, including such statements in the following risk factors, constitute forward-looking statements. See the section entitled Cautionary Information about Forward-Looking Statements in Part I of this Report.

15- Risks Related to Our Operations We have a relatively limited history of operations, a history of losses, and our future earnings, if any, and cash flows may be volatile, resulting in uncertainty about our prospects generally. We were initially organized as a limited liability company in the State of Colorado on March 20, 2014. In March 2017, we converted into a corporation and on February 12, 2021, we completed an uplisting to the Nasdaq Stock Market under the ticker symbol "UGRO." The following is a summary of our recent historical operating performance: • During the year ended December 31, ~~2022~~ **2023**, we generated revenue of \$ ~~67.71~~ **0.5** million and incurred a net loss of \$ ~~15.18~~ **3.7** million. • During the year ended December 31, ~~2021~~ **2022**, we generated revenue of \$ ~~62.67~~ **1.0** million and incurred a net loss of \$ ~~0.15~~ **9.3** million. • During the year ended December 31, ~~2020~~ **2021**, we generated revenue of \$ ~~25.62~~ **8.1** million and incurred a net loss of \$ ~~5.0~~ **1.9** million. • During the year ended December 31, ~~2019~~ **2020**, we generated revenue of \$ ~~24.25~~ **2.8** million and incurred a net loss of \$ ~~8.5~~ **3.1** million. Our lack of a significant history and the evolving nature of the market in which we operate make it likely that there are risks inherent to our business that are yet to be recognized by us or others, or not fully appreciated, and that could result in us suffering further losses. As a result of the foregoing, ~~and concerns regarding the economic impact from the coronavirus disease of 2019 ("COVID-19")~~, an investment in our securities necessarily involves uncertainty about the stability of our operating results, cash flows and, ultimately, our prospects generally. We had negative cash flow from operations for the fiscal years ended December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022**. We had negative cash flow from operations of \$ ~~12.11~~ **6.2** million for the fiscal year ended December 31, ~~2022~~ **2023** and \$ ~~1.12~~ **6** for the fiscal year ended December 31, ~~2021~~ **2022**. To the extent that we have negative cash flow from operations in future periods, we may need to allocate a portion of our cash reserves to fund such negative cash flow. We may also be required to raise additional funds through the issuance of equity or debt securities. We may not be able to generate positive cash flow from our operations and additional capital or other types of financing may not be available when needed or on terms favorable to us. Our architecture, engineering, design, and construction management services have been used and may continue to be contracted for use in emerging industries that may be subject to quickly changing and inconsistent laws, regulations, practices and perceptions. Although the demand for our architecture, engineering, design, and construction management services may be negatively impacted depending on how laws, regulations, administrative practices, judicial interpretations, and consumer perceptions develop, we cannot reasonably predict the nature of such developments or the effect, if any, that such developments could have on our business. We will continue to encounter risks and uncertainty relating to our operations that may be difficult to overcome. We may continue to incur losses in the near future, which may impact our ability to implement our business strategy and adversely affect our financial condition. While we are focused significantly on controlling our operating expenses by managing variable expenses, employee count, and marketing activities in order to become cash flow positive, these measures may adversely affect our future operating results if we are unable to support the business effectively. In turn, this would have a negative impact on our financial condition and potentially our share price. We may not become profitable or generate sufficient profits from operations in the future. If our revenues do not continue to grow or our gross profits deteriorate substantially, we are likely to continue to experience losses in future periods. Collectively, this may impact our ability to implement our business strategy and adversely affect our financial condition. This potentially would have a negative impact on our share price. We may become subject to additional regulation of CEA facilities. Our engineering and design services are focused on facilities that grow a wide variety of crops that are subject to regulation by the United States Food and Drug Administration and other federal, state or foreign agencies. Changes to any regulations and laws **16-** that could complicate the engineering of these CEA facilities, such as waste water treatment and electricity-related mandates, make it possible that potential related enforcement could decrease the demand for our services, and in turn negatively impact our revenues and business opportunities. Competition in our industry is intense. There are many competitors in the horticulture industry, including many who offer somewhat categorically similar equipment solutions and services as those offered by us. In the future other companies may enter this arena by developing solutions that directly compete with us. We anticipate the presence as well as entry of other companies in this market space and acknowledge that we may not be able to establish, or if established to maintain, a competitive advantage. Some of these companies have longer operating histories, greater name recognition, larger client bases and significantly greater financial, technical, sales and marketing resources. This may allow them to respond more quickly than us to market opportunities. It may also allow them to devote greater resources to the marketing, promotion and sale of their products and / or services. These competitors may also adopt more aggressive pricing policies and make more attractive offers to existing and potential clients, employees, strategic partners, distribution channels and advertisers. Increased competition is likely to result in price reductions, reduced gross margins and a potential loss of market share. ~~The COVID-19 pandemic could continue to materially adversely affect our business, financial condition, results of operations, cash flows and day-to-day operations. The outbreak of COVID-19, a novel strain of coronavirus first identified in~~

China, which has spread across the globe including the U. S., had an adverse impact on our operations and financial condition by causing temporary delays in our projects. The response to coronavirus by federal, state and local governments resulted in significant market and business disruptions across many industries and affected businesses of all sizes. This pandemic also caused significant stock market volatility and further tightened capital access for most businesses. Given that the COVID-19 pandemic and its disruptions are of an unknown duration, they could have an adverse effect on our liquidity and profitability. We continue to monitor the status of COVID-19. While it seems like the negative effects of the virus have largely dissipated, if a new variant or other new development cause a substantial increase of cases, it could disrupt the businesses of our customers and suppliers, which, in turn, could negatively impact market demand, interfere with our ability to timely service the needs of our clients and prospects, cause contract cancellations, scope reductions and delays, and interfere with our ability to procure equipment and raw materials from our suppliers. Any of these effects could thereby negatively impact our business, financial condition, results of operations or prospects. We depend upon third-party suppliers for the equipment solutions that we sell. We depend on outside manufacturers for the equipment solutions that we sell. For the year ended December 31, 2022, one vendor, Fluence Bioengineering, Inc. ("Fluence"), a provider of lighting systems, was particularly important to our integrated sales solutions. We use Fluence as one of the LED lighting systems options in our designs and then act as VAR and sell these systems to our clients as part of our overall package. While we believe that there are sufficient sources of supply available, if the third-party suppliers, such as Fluence, were to cease production or otherwise fail to supply us with products in sufficient quantities on a timely basis and we were unable to contract on acceptable terms for these equipment type products with alternative suppliers, our ability to sell these solutions would be materially adversely affected. If a sole source supplier was to go out of business, we may be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to us in the future. Any inability to secure required products or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of urban-gro. We have historically depended on a small number of clients for a substantial portion of our revenue. If we fail to retain or expand our client relationships, or if a significant client were to terminate its relationship with us or reduce its purchases, our revenue could decline significantly. During the year ended December 31, 2023, two clients represented 43 % of total revenue. During the year ended December 31, 2022, three clients represented 40 % of total revenue. During the year ended December 31, 2021 one client represented 46 % of total revenue. Although we have been able to successfully generate substantial sales to different clients over time, we may not be able to continue to do this in the future. Our operating results for the foreseeable future could continue to depend on substantial sales to a small number of clients. Our clients have no purchase commitments and may cancel, change or delay purchases with little or no notice or penalty. As a result of this, our revenue could fluctuate materially and could be materially and disproportionately impacted by purchasing decisions of any client. Clients who represented a substantial portion of our historical revenue may decide to purchase products and services from other providers in the future, which could cause our revenue to decline materially and negatively impact our financial condition and results of operations. If we are unable to diversify our client base, we will continue to be susceptible to risks associated with client concentration. A portion of our business depends on our clients obtaining appropriate licenses from various licensing agencies. A portion of our business depends on our clients obtaining appropriate licenses from various licensing agencies. Any or all licenses necessary for our clients to operate their businesses may not be obtained, retained or renewed. If a licensing body were to determine that one of our clients had violated applicable rules and regulations, there is a risk the license granted to that client could be revoked, which could adversely affect future sales to that client and our operations. Our existing clients may not be able to retain their licenses going forward and new licenses may not be granted to existing and new market entrants. System security risks, data protection breaches, cyber-attacks and systems integration issues could disrupt our internal operations or services provided to clients. Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack or otherwise exploit any security vulnerabilities of the products that we may sell in the future. Such disruptions could adversely impact our ability to fulfill orders and interrupt other processes. Delayed sales, lower profits, or lost clients resulting from these disruptions could adversely affect our financial results, stock price and reputation. 17- We may be forced to litigate to defend our intellectual property rights, or to defend against claims by third parties against urban-gro relating to intellectual property rights. We may be forced to litigate to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract our management from focusing on operating our business. The existence and / or outcome of any such litigation could harm our business. We may not be able to successfully identify, consummate or integrate acquisitions or to successfully manage the impacts of such transactions on our operations. Part of our business strategy includes pursuing synergistic acquisitions. We have expanded, and plan to continue to expand, our business by making strategic acquisitions and regularly seeking suitable acquisition targets to enhance our growth. Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) the potential disruption of our ongoing business; (ii) the distraction of management away from the ongoing oversight of our existing business activities; (iii) incurring indebtedness; (iv) the anticipated benefits and cost savings of those transactions not being realized fully, or at all, or taking longer to realize than anticipated; (v) an increase in the scope and complexity of our operations; and (vi) the loss or reduction of control over certain of our assets. The pursuit of acquisitions may pose certain risks to us. We may not be able to identify acquisition candidates that fit our criteria for growth and profitability. Even if we are able to identify such candidates, we may not be able to acquire them on terms or financing satisfactory to us. We will incur expenses and dedicate attention and resources associated with the review of acquisition opportunities, whether or not we consummate such acquisitions. Additionally, even if we are able to acquire suitable targets on agreeable terms, we may not be able to successfully integrate their operations with ours. Achieving the anticipated

benefits of any acquisition will depend in significant part upon whether we integrate such acquired businesses in an efficient and effective manner. We may not be able to achieve the anticipated operating and cost synergies or long-term strategic benefits of our acquisitions within the anticipated timing or at all. The benefits from any acquisition will be offset by the costs incurred in integrating the businesses and operations. We may also assume liabilities in connection with acquisitions to which we would not otherwise be exposed. An inability to realize any or all of the anticipated synergies or other benefits of an acquisition as well as any delays that may be encountered in the integration process, which may delay the timing of such synergies or other benefits, could have an adverse effect on our business, results of operations and financial condition.

Risks Related to the Legal Cannabis Industry

To date, the majority of our revenues have come from providing architecture and engineering design services and selling equipment systems into facilities prior to the facility becoming operational. The majority of our revenues to date have been generated from clients that operate in the legal cannabis industry. We are broadening our market reach beyond the legal cannabis industry and are placing a substantial sales effort on expansion into the rapidly growing non-cannabis CEA vertical farming sector as well as the Commercial sector. However, on a historic basis, the majority of our clients to whom we provide facility architecture and engineering design services and sell equipment systems prior to the facility becoming operational have primarily been in the legal cannabis industry. In addition to selling directly to these clients, we also sell our equipment solutions to third parties, such as general contractors and other intermediaries, like equipment leasing companies. The majority of these solutions have been resold into the legal cannabis industry. A significant decrease in demand in the legal cannabis industry could have a material adverse effect on our revenues and the success of our business. The cannabis industry in the U. S. is an emerging industry and has only been legalized in some states while remaining illegal in others and under U. S. federal law. Federal Prohibition makes it difficult to accurately forecast the demand for our solutions in this specific industry. Losing clients from this industry may have a material adverse effect on our revenues and the success of our business. The legal cannabis industry is not mature in the United States and has been legalized in only some states and remains illegal in others and under U. S. federal law, making it difficult to accurately forecast demand for our solutions. Revenues could materially decline if the U. S. Department of Justice ("DOJ") enforces federal law against the industry and some of our clients are negatively impacted. The legal cannabis industry in the U. S. remains in state of flux, and many aspects of this industry's development and evolution cannot be accurately predicted. Therefore, losing any clients could have a material adverse effect on our business. While we have attempted to identify our business risks in the legal cannabis industry, investors should carefully consider that there are other **18-** risks that cannot be foreseen or are not described in this Report, which could materially and adversely affect our business and financial performance.

~~There is heightened scrutiny by Canadian regulatory authorities related to the cannabis industry. Our existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators and other authorities in Canada. As a result, we may be subject to significant direct and indirect interaction with public officials. This heightened scrutiny may in turn lead to the imposition of certain restrictions on our ability to operate or invest in the United States. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of the TMX Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the Canadian Securities Exchange ("CSE"), the Toronto Stock Exchange, and the TSX Venture Exchange ("TSXV"). The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and Canadian Depository for Securities Limited ("CDS") as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, this approach to regulation may not continue in the future. If such a ban were to be implemented, and our shares were listed on a Canadian exchange, it would have a material adverse effect on the ability of holders of our securities to make and settle trades.~~

As cannabis remains illegal under United States federal law, we may have to stop providing equipment systems and services to companies who are engaged in cannabis cultivation and other cannabis-related activities. Cannabis, which is referred to as "Marijuana" in the Controlled Substances Act, is currently classified as a Schedule I controlled substance under the Controlled Substances Act and is illegal under United States federal law. It is illegal under United States federal law to grow, cultivate, sell or possess cannabis for any purpose or to assist or conspire with those who do so. Additionally, 21 U. S. C. 856 makes it illegal to "knowingly open, lease, rent, use, or maintain any place, whether permanently or temporarily, for the purpose of manufacturing, distributing, or using any controlled substance." Even in those states in which the use of cannabis has been authorized under state law, its use remains a violation of federal law. Since federal law criminalizing the use of cannabis is not preempted by state laws that legalize its use, strict enforcement of federal law regarding cannabis may result in the inability of our clients that are involved in the cannabis industry to proceed with their operations, which would adversely affect our operations. Our solutions are used by legal and licensed cannabis growers. While we are not aware of any threatened or current federal or state law enforcement actions against any supplier of equipment that might be used for cannabis cultivation, law enforcement authorities, in their attempt to regulate the illegal use of cannabis, may seek to bring an action or actions against us under the Controlled Substances Act for assisting or conspiring with persons engaged in the cultivation of cannabis. There is also a risk that our activities could be deemed to be facilitating the selling or distribution of cannabis in violation of the Controlled Substances Act. Although federal authorities have not focused their resources on such tangential or secondary violations of the Controlled Substances Act, nor have they threatened to do so, with respect to the sale of equipment that might be used by legal and licensed cannabis cultivators, or with respect to any supplies marketed to participants in the medical and recreational cannabis industry, if the federal government were to change its practices, or were to expend its resources investigating and prosecuting providers of equipment that could be usable by participants in the medical or recreational cannabis industry, such actions could have a material adverse effect on our operations and the sales of our products and services. As a company with clients operating in the legal cannabis industry, we face many particular and evolving risks associated with that

industry, including uncertainty of United States federal enforcement and the need to renew temporary safeguards. The " FinCEN Memo" dated February 14, 2014, de- prioritizes enforcement of the Bank Secrecy Act against financial institutions and cannabis related businesses which utilize them. This memorandum appears to be a standalone document and is presumptively still in effect. At any time, however, the Department of the Treasury, Financial Crimes Enforcement Network, could elect to rescind the FinCEN Memo. This would make it more difficult for our clients and potential clients to access the U. S. banking systems and conduct financial transactions, which would adversely affect our operations. In 2014, Congress passed a spending bill (" 2015 Appropriations Bill") containing a provision (" Appropriations Rider") blocking federal funds and resources allocated under the 2015 Appropriations Bill from being used to " prevent such States from implementing their own State medical marijuana law." The Appropriations Rider seemed to have prohibited the federal government from interfering with the ability of states to administer their medical cannabis laws, although it did not codify federal protections for medical cannabis patients and producers. Moreover, despite the Appropriations Rider, the Justice Department maintains that it can still prosecute violations of the federal cannabis ban and continue cases already in the courts. Additionally, the Appropriations Rider must be re- enacted every year. While it has been continued every year since 2015, including most recently in 2022, continued re- authorization of the Appropriations Rider cannot be guaranteed. If the Appropriation Rider is no longer in effect, the risk of federal enforcement and override of state cannabis laws would increase. Further legislative development beneficial to our operations is not guaranteed. Among other things, the business of our clients in the legal cannabis industry involves the cultivation, distribution, manufacture, storage, transportation and / or sale of cannabis products in compliance with applicable state law. The success of our business with respect to these clients depends on the continued development of the cannabis industry and the activity of commercial business and government regulatory agencies within the industry. The continued development of the legal cannabis industry is dependent upon continued legislative and regulatory authorization of cannabis at the state level and a continued laissez- faire approach by federal enforcement agencies. Any number of factors could slow or halt progress in this area. Further regulatory progress beneficial to the industry cannot be assured. While there may be ample public support for legislative action, numerous factors impact the legislative and regulatory process, including election results, scientific findings or general public events. Any one of these factors could slow or halt progressive legislation relating to cannabis and the current tolerance for the use of cannabis by consumers, which could adversely affect our operations. **19-** The legal cannabis industry could face strong opposition from other industries. We believe that established businesses in other industries may have a strong economic interest in opposing the development of the cannabis industry. Cannabis may be seen by companies in other industries as an attractive alternative to their products, including recreational cannabis as an alternative to alcohol, and medical cannabis as an alternative to various commercial pharmaceuticals. Many industries that could view the emerging legal cannabis industry as an economic threat are well established, with vast economic and United States federal and state lobbying resources. Companies within these industries could use their resources to attempt to slow or reverse legislation legalizing cannabis. Any inroads these companies make in halting or impeding legislative initiatives that would be beneficial to the legal cannabis industry could have a detrimental impact on our clients and, in turn on our operations. The legality of cannabis could be reversed in one or more states. The voters or legislatures of states in which cannabis has already been legalized could potentially repeal applicable laws which permit the operation of both legal medical and retail cannabis businesses. These actions might force us to cease operations in one or more states entirely. Changing legislation and evolving interpretations of law, which could negatively impact our clients and, in turn, our operations. Laws and regulations affecting the legal medical and adult- use cannabis industry are constantly changing, which could detrimentally affect our clients involved in that industry and, in turn, our operations. Local, state and federal cannabis laws and regulations are often broad in scope and subject to constant evolution and inconsistent interpretations, which could require our clients and ourselves to incur substantial costs associated with modification of operations to ensure compliance. In addition, violations of these laws, or allegations of such violations, could disrupt our clients' business and result in a material adverse effect on our operations. In addition, regulations may be enacted in the future that will limit the amount of cannabis growth or related products that our commercial clients are authorized to produce. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our operations. Regulatory scrutiny of the legal cannabis industry may negatively impact our ability to raise additional capital. The business activities of certain of our clients rely on newly established and / or developing laws and regulations in multiple jurisdictions. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect our profitability or cause us to cease operations entirely. The legal cannabis industry may come under the scrutiny or further scrutiny by the United States Food and Drug Administration (the " FDA"), the SEC, the DOJ, the Financial Industry Regulatory Authority or other federal, state or nongovernmental regulatory authorities or self- regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. The FDA currently is authorized to promulgate regulations for and oversight of CBD products. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry that we service may adversely affect our business and operations, including without limitation, the costs to remain compliant with applicable laws and the impairment of our ability to raise additional capital. Banking regulations could limit access to banking services. Since the use of cannabis is illegal under federal law, federally chartered banks will not accept deposit funds from businesses involved with cannabis. Consequently, businesses involved in the legal cannabis industry often have trouble finding a bank willing to accept their business. The inability to open bank accounts may make it difficult for our clients in the legal cannabis industry to operate and their reliance on cash can result in a heightened risk of theft, which could harm their businesses and, in turn, harm our business. Additionally, some courts have denied legal cannabis- related businesses bankruptcy protection, thus, making it very difficult for lenders to recoup their investments, which may limit the willingness of banks to lend to our clients and to us. A drop in the retail price of

cannabis products may negatively impact our business. The fluctuations in economic and market conditions that impact the prices of commercially grown cannabis, such as increases in the supply of cannabis and decreases in demand for cannabis, could have a negative impact on our clients that are legal cannabis producers, and therefore could negatively impact our business. **20-** Our contracts may not be legally enforceable in the United States. Many of our historic contracts, and those we may enter into in the future, relate to services that are ancillary to the legal cannabis industry and other activities that are not legal under U. S. federal law and under some state laws. As a result, we may face difficulties in enforcing our contracts in U. S. federal and certain state courts.

Risks Related to Ownership of Our Common Stock Our stock price could be extremely volatile. As a result, shareholders may not be able to resell their shares at or above the price they paid for them. The market price of our common stock may be highly volatile and could be subject to wide fluctuations. Volatility in the market price of our common stock, as well as general economic, market or political conditions, may prevent shareholders from being able to sell their shares at or above the price they paid for their shares and may otherwise negatively affect the liquidity of our common stock. Shareholders may experience a decrease, which could be substantial, in the value of their stock, including decreases unrelated to our operating performance or prospects, and shareholders could lose part or all of their investment. The price of our common stock has been, and could continue to be, subject to wide fluctuations in response to a number of factors, including those described elsewhere in this Report and others such as: ~~• the effect of the COVID-19 pandemic on our business and operations;~~ • our ability to generate revenues sufficient to achieve profitability and positive cash flow; • competition in our industry and our ability to compete effectively; • our ability to attract, recruit, retain and develop key personnel and qualified employees; • reliance on significant clients and third- party suppliers; • our ability to successfully identify and complete acquisitions and effectively integrate those acquisitions into our operations; • our actual or anticipated operating and financial results, including how those results vary from the expectations of management, securities analysts and investors; • changes in financial estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to us or other industry participants; • developments in our business or operations or our industry sectors generally; • any future offerings by us of our common stock; • any coordinated trading activities or large derivative positions in our common stock, for example, a "short squeeze" (a short squeeze occurs when a number of investors take a short position in a stock and have to buy the borrowed securities to close out the position at a time that other short sellers of the same security also want to close out their positions, resulting in a surge in stock prices, i. e., demand is greater than supply for the stock sold short); • legislative or regulatory changes affecting our industry generally or our business and operations specifically; • the operating and stock price performance of companies that investors consider to be comparable to us; • announcements of strategic developments, acquisitions, restructurings, dispositions, financings and other material events by us or our competitors; • actions by our current shareholders, including future sales of common shares by existing shareholders, including our directors and executive officers; • proposed or final regulatory changes or developments; • anticipated or pending regulatory investigations, proceedings, or litigation that may involve or affect us; and • the other factors described under Risk Factors in Part I, Item 1A of this Report. In response to any one or more of these events, the market price of shares of our common stock could decrease significantly. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock **21-**price. This type of litigation could result in substantial costs and divert our management's attention and resources and could also require us to make substantial payments to satisfy judgments or to settle litigation. Shareholders may be diluted by future issuances of preferred stock or additional common stock in connection with our incentive plans, acquisitions or otherwise; future sales of such shares in the public market, or the expectations that such sales may occur, could lower our stock price. Our certificate of incorporation authorizes us to issue shares of our common stock and options, rights, warrants and appreciation rights relating to our common stock for the consideration and on the terms and conditions established by our Board in its sole discretion. We could issue a significant number of shares of common stock in the future in connection with investments or acquisitions. Any of these issuances could dilute our existing shareholders, and such dilution could be significant. Moreover, such dilution could have a material adverse effect on the market price for the shares of our common stock. The future issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of shares of our common stock, either by diluting the voting power of our common stock if the preferred stock votes together with the common stock as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote, even if the action were approved by the holders of our shares of our common stock. The future issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. For example, investors in the common stock may not wish to purchase common stock at a price above the conversion price of a series of convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase common stock at the lower conversion price, causing economic dilution to the holders of common stock. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain our future earnings, if any, for the foreseeable future, to fund the development and growth of our business. We do not intend to pay any dividends to holders of our common stock in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board taking into account various factors, including our business, operating results and financial condition, current and anticipated cash needs, plans for expansion, any legal or contractual limitations on our ability to pay dividends under our loan agreements or otherwise. As a result, if our Board does not declare and pay dividends, the capital appreciation in the price of our common stock, if any, will be our shareholders only source of gain on an investment in our common stock, and shareholders may have to sell some or all of their common stock to generate cash flow from their investment. If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common stock, its trading price and volume could decline. We expect the trading market for our common stock to be influenced by the research and reports that industry or securities analysts publish about us, our business or our industry. If no

additional securities or industry analysts commence coverage of our company, the trading price for our stock may be negatively impacted. If one or more of our covering analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline and our common stock to be less liquid. Moreover, if one or more of the analysts who cover us downgrades our stock or publishes inaccurate or unfavorable research about our business, or if our results of operations do not meet their expectations, our stock price could decline. Taking advantage of the reduced disclosure requirements applicable to "emerging growth companies" may make our common stock less attractive to investors. We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"). An emerging growth company may take advantage of certain reduced reporting and other requirements that are otherwise generally applicable to public companies, as described above. We currently intend to take advantage of each of these exemptions. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make a comparison of our financial statements with the financial statements of a public company that is not an emerging growth company, or the financial statements of an emerging growth company that has opted out of using the extended transition period, difficult or impossible because of the potential differences in accounting standards used. We could be an emerging growth company until December 31, 2023. We cannot predict if investors will find our common stock less attractive if we elect to rely on these exemptions, or if taking advantage of these exemptions would result in less active trading or more volatility in the price of our common stock. **22-** Provisions of our certificate of incorporation and bylaws may delay or prevent a take-over that may not be in the best interests of our shareholders. Provisions of our certificate of incorporation and bylaws may be deemed to have anti-takeover effects, which include when and by whom special meetings of our shareholders may be called, and may delay, defer or prevent a takeover attempt. In addition, our certificate of incorporation authorizes the issuance of up to ~~10~~**3**, 000, 000 shares of preferred stock with such rights and preferences determined from time to time by our Board. None of our preferred shares are currently issued or outstanding. Our Board may, without shareholder approval, issue preferred shares with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our common stock. 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 Act, and other applicable securities rules and regulations. Compliance with these rules and regulations involves significant legal and financial compliance costs, may make some activities more difficult, time-consuming or costly and may increase demand on our systems and resources, particularly after we are no longer an "emerging growth company," as defined in the JOBS Act. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. 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, which could adversely affect our business and operating results. We may 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 revenue-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 proceedings against us, and our business may be adversely affected. However, for as long as we remain an "emerging growth company," we may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We may take advantage of these reporting exemptions until we are no longer an "emerging growth company." **We would cease to be December 31, 2023 was our last day as** an "emerging growth company," **upon the earliest of: (i) the last day of the fiscal year following the fifth anniversary of the first sale of our common stock under an and we effective Securities Act registration statement, which will occur on December 31, 2023; (ii) the first fiscal year after our annual gross revenues are \$ 1.07 billion or more; (iii) the date on which we have, during the previous three-year period, issued more than \$ 1.0 billion in non- no longer be eligible convertible debt securities; or for (iv) as of the these exemptions going forward end of any fiscal year in which the market value of the common stock held by non-affiliates exceeded \$ 700 million as of the end of the second quarter of that fiscal year.** As a result of disclosure of information in this Report and in filings required of a public company, our business and financial condition are highly visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary

to resolve them, could divert the resources of our management and adversely affect our business and operating results. We are subject to ongoing regulatory burdens resulting from our public listing. We continually work with our legal, accounting and financial advisors to identify those areas in which changes should be made to our financial management control systems to manage our obligations as a public company listed on Nasdaq. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas, including our internal controls over financial reporting. However, these and other measures that we might take may not be sufficient to allow us to satisfy our obligations as a public company listed on Nasdaq on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on Nasdaq creates additional costs for us and requires the time and attention of management. The additional costs that we incur, **23-** the timing of such costs and the impact that management's attention to these matters may adversely affect our business and operating results.

General Risk Factors We are highly dependent on our management team, and the loss of our executive officers or other key employees could harm our ability to implement our strategies, impair our relationships with clients and adversely affect our business, results of operations and growth prospects. Our success depends, in large degree, on the skills of our management team and our ability to retain, recruit and motivate key officers and employees. Our senior executive leadership team has significant experience, and their knowledge and relationships would be difficult to replace. Leadership changes will occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. Competition for senior executives and skilled personnel in the horticulture industry is intense, which means the cost of hiring, paying incentives and retaining skilled personnel may continue to increase. We need to continue to attract and retain key personnel and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. In addition, as a provider of custom- tailored horticulture solutions, we must attract and retain qualified personnel to continue to grow our business, and competition for such personnel can be intense. Our ability to effectively compete for senior executives and other qualified personnel by offering competitive compensation and benefit arrangements may be restricted by cash flow and other operational restraints. The loss of the services of any senior executive or other key personnel, or the inability to recruit and retain qualified personnel in the future, could have a material adverse effect on our business, financial condition or results of operations. In addition, to attract and retain personnel with appropriate skills and knowledge to support our business, we may offer a variety of benefits, which could reduce our earnings or have a material adverse effect on our business, financial condition or results of operations. Our insurance may not adequately cover our operating risk. We have insurance to protect our assets, operations and employees. While we believe our insurance coverage addresses all material risks to which we are exposed and is adequate and customary in our current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which we are exposed. In addition, such insurance may not be adequate to cover our liabilities or may not be generally available in the future or, if available, premiums may not be commercially justifiable. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur such liability at a time when we are not able to obtain liability insurance, our business, results of operations and financial condition could be materially adversely affected. We may be exposed to currency fluctuations. Although our revenues and expenses are expected to be predominantly denominated in United States dollars, we may be exposed to currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U. S. dollar, the Canadian dollar, the Euro, and the currency of other regions in which we may operate may have a material adverse effect on our business, financial condition and operating results. We may, in the future, establish a program to hedge a portion of our foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if we develop a hedging program, there can be no assurance that it will effectively mitigate currency risks. Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial results. U. S. generally accepted accounting principles ("U. S. GAAP") and related pronouncements, implementation guidelines and interpretations with regard to a wide variety of matters that are relevant to our business, such as, but not limited to, revenue recognition, stock- based compensation, trade promotions, and income taxes are highly complex and involve many subjective assumptions, estimates and judgments by our management. Changes to these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported results. Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our business and the value of our common stock. Our reputation is a valuable component of our business. Threats to our reputation can come from many sources, including adverse sentiment about our industry generally, unethical practices, employee misconduct, failure to deliver minimum standards of **24-** service or quality, compliance deficiencies, and questionable or fraudulent activities of our clients. Negative publicity regarding our business, employees, or clients, with or without merit, may result in the loss of clients, investors and employees, costly litigation, a decline in revenues and increased governmental regulation. If our reputation is negatively affected, by the actions of our employees or otherwise, our business and, therefore, our operating results and the value of our common stock may be materially adversely affected. Increased attention to climate change and ESG matters may adversely impact our business. We are subject to a variety of risks arising from ESG matters. ESG matters include increasing attention to climate change, climate risk, expectations on companies to address climate change, hiring practices, the diversity of the work force, racial and social justice issues involving the Company's personnel, customers and third parties with whom it otherwise does business, and investor and societal expectations regarding ESG matters and disclosures. Risks arising from ESG matters may adversely affect, among other things, reputation and the market price of our stock. Further, we may be exposed to negative publicity based on the identity and activities of those we do business with and the public's view of the approach and performance of our customers and business partners with respect to ESG matters. Any such negative publicity could arise from adverse news coverage in traditional media

and could also spread through the use of social media platforms. Our relationships and reputation with our existing and prospective customers and third parties with which we do business could be damaged if we were to become the subject of any such negative publicity. This, in turn, could have an adverse effect on our ability to attract and retain customers and employees and could have a negative impact on the market price for our stock. Investors have begun to consider the steps taken and resources allocated by financial institutions and other commercial organizations to address ESG matters when making investment and operational decisions. Certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies' responses to the risks posed by climate change and other ESG matters into their investment theses. These shifts in investing priorities may result in adverse effects on the market price of our stock to the extent investors determine we have not made sufficient progress on ESG matters. In addition, customers, employees, regulators and suppliers have also been focused on ESG matters. Companies that do not adapt to or comply with ESG expectations and standards, or that are perceived to have not responded appropriately to the growing concern regarding ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and other adverse consequences. To the extent ESG matters negatively impact our reputation, we may not be able to compete as effectively to recruit or retain employees, which may adversely affect our operations. Further, growing public concern about climate change has resulted in the increased focus of local, state, regional, national and international regulatory bodies on greenhouse gas emissions and climate change issues. Policy changes and changes in federal, state and local legislation and regulations based on concerns about climate change, including regulations aimed at limiting greenhouse gas emissions and the implementation of "green" building codes, could result in increased capital expenditures on our existing properties (for example, to improve their energy efficiency) without a corresponding increase in revenue, resulting in adverse impacts to our results of operations. In March 2022-2024, the SEC issued ~~proposed~~ **final** rules on climate change disclosure requirements that, ~~if adopted as proposed,~~ will require disclosure of ~~extensive and detailed~~ climate-related information ~~by all registrants, including us. The final rules have not yet been adopted, and the ultimate scope and impact of the proposed rules on our business remain uncertain.~~ To the extent new rules, ~~if finalized,~~ impose additional reporting obligations on us, we could face increased costs. The SEC has also announced that it is scrutinizing climate-change related disclosures in public filings, increasing the potential for enforcement if the SEC were to allege that our existing climate disclosures are misleading or deficient. However, any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change. The current political climate and military actions in Eastern Europe could result in disruption to our operations. Expansion into Europe to meet the demand for our services could be disrupted by the ongoing military actions in Eastern Europe. If we are unable to continue our expansion into Europe, or our expansion requires greater capital than we have budgeted, our operating results and the value of our common stock may be materially adversely affected. Further, the conflict has led to increases in the cost of energy and the potential for energy shortages, especially in Europe. The European energy crisis ~~escalated~~ **has continued** in 2022-2023 amid the Russia and Ukraine war, fueling supply uncertainties and increasing the risk of energy shortages across Europe due to the lack of gas from Russia. This resulted in decisive measures implemented by the European Union to help manage security of supply and establish new sources of gas. Our customers and potential customers experienced a rapid increase in energy costs and our expectation is that the energy cost inflation will continue into 2023-2024. Failure to retain our existing workforce and to attract qualified new personnel in the current labor market could adversely affect our business and results of operations. The current U. S. labor shortage has and may continue to impact our ability to hire and retain qualified personnel and may impact our ability to operate our business effectively. We may experience a labor shortage preventing us from filling targeted staffing **25-** levels. A labor shortage may also impact our ability to attract qualified new personnel. Additionally, the COVID pandemic has changed the way businesses operate with companies allowing employees to work remotely from home or in hybrid work models. We may not be able to attract, hire or retain qualified personnel if competing companies offer a more desirable work model.