UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2025

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ______________

Commission File No. 001-41368

1847 HOLDINGS LLC

(Exact name of registrant as specified in its charter)

Delaware	**38-3922937**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
260 Madison Avenue, 8th Floor, New York, NY	**10016**
(Address of principal executive offices)	(Zip Code)

(212) 417-9800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes X No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	X	Smaller reporting company	X
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No X

As of June 30, 2025 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the registrant's common shares held by non-affiliates (based upon the last closing price of such shares prior to suspension of trading of such shares on NYSE American on April 3, 2025) was approximately $2.3 million. Shares held by each executive officer and director and by each person who owns 10% or more of the outstanding common shares have been excluded from the calculation in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 26, 2026, there were a total of 65,293,659 common shares of the registrant issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

1847 Holdings LLC

Annual Report on Form 10-K
Year Ended December 31, 2025

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INTRODUCTORY NOTES

Use of Terms

Except as otherwise indicated by the context and for the purposes of this report only, references in this report to "we," "us," "our" and "our company" are to 1847 Holdings LLC, a Delaware limited liability company, and its consolidated subsidiaries, and references to "our manager" are to 1847 Partners LLC, a Delaware limited liability company.

Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to us. All statements other than statements of historical facts are forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our ability to effectively integrate and operate the businesses that we acquire;
- our ability to successfully identify and acquire additional businesses;
- our organizational structure, which may limit our ability to meet our dividend and distribution policy;
- our ability to service and comply with the terms of indebtedness;
- our cash flow available for distribution and our ability to make distributions to our common shareholders;
- our ability to pay the management fee, profit allocation and put price to our manager when due;
- labor disputes, strikes or other employee disputes or grievances;
- the regulatory environment in which our businesses operate under;
- trends in the industries in which our businesses operate;
- the competitive environment in which our businesses operate;
- changes in general economic or business conditions or economic or demographic trends in the United States including changes in interest rates and inflation;
- our and our manager's ability to retain or replace qualified employees of our businesses and our manager;
- casualties, condemnation or catastrophic failures with respect to any of our business' facilities;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- extraordinary or force majeure events affecting the business or operations of our businesses.

In some cases, you can identify forward-looking statements by terms such as "may," "could," "will," "should," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," "project" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Item 1A "*Risk Factors*" and elsewhere in this report. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

The forward-looking statements made in this report relate only to events or information as of the date on which the statements are made in this report. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

PART I

ITEM 1. BUSINESS.

OUR BUSINESS

Overview

We are an acquisition holding company focused on acquiring and managing a group of small businesses, which we characterize as those that have an enterprise value of less than $50 million, in a variety of different industries headquartered in North America.

Through our structure, we offer investors an opportunity to participate in the ownership and growth of a portfolio of businesses that traditionally have been owned and managed by private equity firms, private individuals or families, financial institutions or large conglomerates. We believe that our management and acquisition strategies will allow us to achieve our goals to make and grow regular distributions to our common shareholders and increase common shareholder value over time.

We seek to acquire controlling interests in small businesses that we believe operate in industries with long-term macroeconomic growth opportunities, and that have positive and stable earnings and cash flows, face minimal threats of technological or competitive obsolescence and have strong management teams largely in place. We believe that private company operators and corporate parents looking to sell their businesses will consider us to be an attractive purchaser of their businesses. We make these businesses our majority-owned subsidiaries and actively manage and grow such businesses. We expect to improve our businesses over the long term through organic growth opportunities, add-on acquisitions and operational improvements.

Our Market Opportunity

We acquire and manage small businesses, which we characterize as those that have an enterprise value of less than $50 million. We believe that the merger and acquisition market for small businesses is highly fragmented and provides significant opportunities to purchase businesses at attractive prices.

We believe that the following factors contribute to lower acquisition multiples for small businesses:

- there are typically fewer potential acquirers for these businesses;
- third-party financing generally is less available for these acquisitions;
- sellers of these businesses may consider non-economic factors, such as continuing board membership or the effect of the sale on their employees; and
- these businesses are generally less frequently sold pursuant to an auction process.

We believe that our management team's strong relationships with business brokers, investment and commercial bankers, accountants, attorneys and other potential sources of acquisition opportunities offers us substantial opportunities to purchase small businesses.

We also believe that significant opportunities exist to improve the performance of the businesses upon their acquisition. In the past, our manager has acquired businesses that are often formerly owned by seasoned entrepreneurs or large corporate parents. In these cases, our manager has frequently found that there have been opportunities to further build upon the management teams of acquired businesses. In addition, our manager has frequently found that financial reporting and management information systems of acquired businesses may be improved, both of which can lead to substantial improvements in earnings and cash flow. Finally, because these businesses tend to be too small to have their own corporate development efforts, we believe opportunities exist to assist these businesses in meaningful ways as they pursue organic or external growth strategies that were often not pursued by their previous owners.

Our Strategy

Our long-term goals are to make and grow regular distributions to our common shareholders and to increase common shareholder value over the long-term. We plan to continue focusing on acquiring businesses. Therefore, we intend to continue to identify, perform due diligence on, negotiate and consummate platform acquisitions of small businesses in attractive industry sectors.

We plan to limit the use of third-party (i.e., external) acquisition leverage so that our debt will not exceed the market value of the assets we acquire and so that our debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio will not exceed 1.25x to 1 for our operating subsidiaries. We believe that limiting leverage in this manner will avoid the imposition on stringent lender controls on our operations that would otherwise potentially hamper the growth of our operating subsidiaries and otherwise harm our business even during times when we have positive operating cash flows. Additionally, in our experience, leverage rarely leads to "break-out" returns and often creates negative return outcomes that are not correlated with the profitability of the business.

Management Strategy

Our management strategy involves the identification, performance of due diligence, negotiation and consummation of acquisitions. After acquiring businesses, we attempt to grow the businesses both organically and through add-on or bolt-on acquisitions. Add-on or bolt-on acquisitions are acquisitions by a company of other companies in the same industry. Following the acquisition of companies, we seek to grow the earnings and cash flow of acquired companies and, in turn, grow regular distributions to our common shareholders and to increase common shareholder value over time. We believe we can increase the cash flows of our businesses by applying our intellectual capital to improve and grow our businesses.

We seek to acquire and manage small businesses. We believe that the merger and acquisition market for small businesses is highly fragmented and provides opportunities to purchase businesses at attractive prices. We believe we will be able to acquire small businesses for multiples ranging from three to six times EBITDA. We also believe, and our manager has historically found, that significant opportunities exist to improve the performance of these businesses upon their acquisition.

In general, our manager oversees and supports the management team of our businesses by, among other things:

- recruiting and retaining managers to operate our businesses by using structured incentive compensation programs, including minority equity ownership, tailored to each business;
- regularly monitoring financial and operational performance, instilling consistent financial discipline, and supporting management in the development and implementation of information systems;
- assisting the management teams of our businesses in their analysis and pursuit of prudent organic growth strategies;
- identifying and working with business management teams to execute on attractive external growth and acquisition opportunities;
- identifying and executing operational improvements and integration opportunities that will lead to lower operating costs and operational optimization;
- providing the management teams of our businesses the opportunity to leverage our experience and expertise to develop and implement business and operational strategies; and
- forming strong subsidiary level boards of directors to supplement management teams in their development and implementation of strategic goals and objectives.

We also believe that our long-term perspective provides us with certain additional advantages, including the ability to:

- recruit and develop management teams for our businesses that are familiar with the industries in which our businesses operate;
- focus on developing and implementing business and operational strategies to build and sustain shareholder value over the long term;

- create sector-specific businesses enabling us to take advantage of vertical and horizontal acquisition opportunities within a given sector;
- achieve exposure in certain industries in order to create opportunities for future acquisitions; and
- develop and maintain long-term collaborative relationships with customers and suppliers.

We intend to continually increase our intellectual capital as we operate our businesses and acquire new businesses and as our manager identifies and recruits qualified operating partners and managers for our businesses.

Acquisition Strategy

Our acquisition strategies involve the acquisition of small businesses in various industries that we expect will produce positive and stable earnings and cash flow, as well as achieve attractive returns on our invested capital. In this respect, we expect to make acquisitions in industries wherein we believe an acquisition presents an attractive opportunity from the perspective of both (i) return on assets or equity and (ii) an easily identifiable path for growing the acquired businesses. We believe that attractive opportunities will increasingly present themselves as private sector owners seek to monetize their interests in longstanding and privately held businesses and large corporate parents seek to dispose of their "non-core" operations.

We believe that the greatest opportunities for generating consistently positive annual returns and, ultimately, residual returns on capital invested in acquisitions will result from targeting capital light businesses operating in niche geographical markets with a clearly identifiable competitive advantage within the following industries: business services, consumer services, consumer products, consumable industrial products, industrial services, niche light manufacturing, distribution, alternative/specialty finance and in select cases, specialty retail. While we believe that the professional experience of our management team within the industries identified above will offer the greatest number of acquisition opportunities, we will not eschew opportunities if a business enjoys an inarguable moat around its products and services in an industry which our management team may have less familiarity.

From a financial perspective, we expect to make acquisitions of small businesses that are stable, have minimal bad debt, and strong accounts receivable. In addition, we expect to acquire companies that have been able to generate positive pro forma cash available for distribution for a minimum of three years prior to acquisition. Our previous acquisitions met these acquisition criteria.

We benefit from our manager's ability to identify diverse acquisition opportunities in a variety of industries. In addition, we rely upon our management teams' experience and expertise in researching and valuing prospective target businesses, as well as negotiating the ultimate acquisition of such target businesses. In particular, because there may be a lack of information available about these target businesses, which may make it more difficult to understand or appropriately value such target businesses, our manager will:

- engage in a substantial level of internal and third-party due diligence;
- critically evaluate the management team;
- identify and assess any financial and operational strengths and weaknesses of any target business;
- analyze comparable businesses to assess financial and operational performances relative to industry competitors;
- actively research and evaluate information on the relevant industry; and
- thoroughly negotiate appropriate terms and conditions of any acquisition.

The process of acquiring new businesses is time-consuming and complex. Our manager has historically taken from 2 to 24 months to perform due diligence on, negotiate and close acquisitions. Although we expect our manager to be at various stages of evaluating several transactions at any given time, there may be significant periods of time during which it does not recommend any new acquisitions to us.

Upon an acquisition of a new business, we rely on our manager's experience and expertise to work efficiently and effectively with the management of the new business to jointly develop and execute a business plan.

While primarily seek to acquire controlling interests in a business, we may also acquire noncontrol or minority equity positions in businesses where we believe it is consistent with our long-term strategy.

As discussed in more detail below, we intend to raise capital for additional acquisitions primarily through debt financing, primarily at our operating company level, additional equity offerings by our company, the sale of all or a part of our businesses or by undertaking a combination of any of the above.

Our primary corporate purpose is to own, operate and grow our operating businesses. However, in addition to acquiring businesses, we expect to sell businesses that we own from time to time. Our decision to sell a business will be based upon financial, operating and other considerations rather than a plan to complete a sale of a business within any specific time frame. We may also decide to own and operate some or all of our businesses in perpetuity if our board believes that it makes sense to do so. Upon the sale of a business, we may use the resulting proceeds to retire debt or retain proceeds for future acquisitions or general corporate purposes. Generally, we do not expect to make special distributions at the time of a sale of one of our businesses; instead, we expect that we will seek to gradually increase regular common shareholder distributions over time.

There are several risks associated with our acquisition strategy, including the following risks, which are described more fully in Item 1A "*Risk Factors*"—*Risks Related to Our Business and Structure*":

- we may not be able to successfully fund future acquisitions of new businesses due to the unavailability of debt or equity financing on acceptable terms, which could impede the implementation of our acquisition strategy;
- we may experience difficulty as we evaluate, acquire and integrate businesses that we may acquire, which could result in drains on our resources, including the attention of our management, and disruptions of our on-going business;
- 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; and
- we may change our management and acquisition strategies without the consent of our shareholders, which may result in a determination by us to pursue riskier business activities.

Strategic Advantages

Based on the experience of our manager and its ability to identify and negotiate acquisitions, we believe that we are strongly positioned to acquire additional businesses. Our manager has strong relationships with business brokers, investment and commercial bankers, accountants, attorneys and other potential sources of acquisition opportunities. In negotiating these acquisitions, we believe our manager will be able to successfully navigate complex situations surrounding acquisitions, including corporate spin-offs, transitions of family-owned businesses, management buy-outs and reorganizations.

We believe that the flexibility, creativity, experience and expertise of our manager in structuring transactions provides us with strategic advantages by allowing us to consider non-traditional and complex transactions tailored to fit a specific acquisition target.

Our manager also has a large network of deal intermediaries who expose us to potential acquisitions. Through this network, we have a substantial pipeline of potential acquisition targets. Our manager also has a well-established network of contacts, including professional managers, attorneys, accountants and other third-party consultants and advisors, who may be available to assist us in the performance of due diligence and the negotiation of acquisitions, as well as the management and operation of our businesses once acquired.

Valuation and Due Diligence

When evaluating businesses or assets for acquisition, we perform a rigorous due diligence and financial evaluation process. In doing so, we seek to evaluate the operations of the target business as well as the outlook for the industry in which the target business operates. While valuation of a business is, by definition, a subjective process, we define valuations under a variety of analyses, including:

- discounted cash flow analyses;
- evaluation of trading values of comparable companies;

- expected value matrices;
- assessment of competitor, supplier and customer environments; and
- examination of recent/precedent transactions.

One outcome of this process is an effort to project the expected cash flows from the target business as accurately as possible. A further outcome is an understanding of the types and levels of risk associated with

those projections. While future performance and projections are always uncertain, we believe that our detailed due diligence review process allows us to more accurately estimate future cash flows and more effectively evaluate the prospects for operating the business in the future. To assist us in identifying material risks and validating key assumptions in our financial and operational analysis, in addition to our own analysis, we engage third-party experts to review key risk areas, including legal, tax, regulatory, accounting, insurance and environmental. We may also engage technical, operational or industry consultants, as necessary.

A further critical component of the evaluation of potential target businesses is the assessment of the capability of the existing management team, including recent performance, expertise, experience, culture and incentives to perform. Where necessary, and consistent with our management strategy, we actively seek to augment, supplement or replace existing members of management who we believe are not likely to execute the business plan for the target business. Similarly, we analyze and evaluate the financial and operational information systems of target businesses and, where necessary, we actively seek to enhance and improve those existing systems that are deemed to be inadequate or insufficient to support our business plan for the target business.

Financing

We finance acquisitions primarily through additional equity and debt financings. We believe that having the ability to finance most, if not all, acquisitions with the general capital resources raised by our company, rather than financing relating to the acquisition of individual businesses, provides us with an advantage in acquiring attractive businesses by minimizing delay and closing conditions that are often related to acquisition-specific financings. In this respect, we believe that, at some point in the future, we may need to pursue additional debt or equity financings, or offer equity in our company or target businesses to the sellers of such target businesses, in order to fund acquisitions.

Our Competitive Advantages

We believe that our manager's collective investment experience and approach to executing our investment strategy provide us with several competitive advantages. These competitive advantages, certain of which are discussed below, have enabled our management to generate very attractive risk- adjusted returns for investors in their predecessor firms.

Robust Network. Through their activities with their predecessor firms and their comprehensive marketing capabilities, we believe that the management team of our manager has established a "top of mind" position among investment bankers and business brokers targeting small businesses. By employing an institutionalized, multi-platform marketing strategy, we believe our manager has established a robust national network of personal relationships with intermediaries, seasoned operating executives, entrepreneurs and managers, thereby firmly establishing our presence and credibility in the small business market. In contrast to many other buyers of and investors in small businesses, we believe that we can buy businesses at value-oriented multiples and through our asset management activities with a group of professional, experienced and talented operating partners, create appreciable value. We believe our experience, track record and consistent execution of our marketing and investment activities will allow us to maintain a leadership position as the preferred partner for today's small business market.

Disciplined Deal Sourcing. We employ an institutionalized, multi-platform approach to sourcing new acquisition opportunities. Our deal sourcing efforts include leveraging relationships with more than 3,000 qualified deal sources through regular calling, mail and e-mail campaigns, assignment of regional marketing responsibilities, in-person visits and high-profile sponsorship of important conferences and industry events. We supplement these activities by retaining selected intermediary firms to conduct targeted searches for opportunities in specific categories on an opportunistic basis. As a result of the significant time and effort spent on these activities, we believe we established close relationships and unique "top of mind" awareness with many of the most productive intermediary sources for small business acquisition opportunities in the United States. While reinforcing our market leadership, this capability enables us to generate a large number of attractive acquisition opportunities.

Differentiated Acquisition Capabilities in the Small Business Market. We deploy a differentiated approach to acquiring businesses in the small business market. Our management concentrates their efforts on mature companies with sustainable value propositions, which can be supported by our resources and institutional expertise. Our evaluation of acquisition opportunities typically involves significant input from a seasoned operating partner with relevant experience, which we believe enhances both our diligence and ongoing monitoring capabilities. In addition, we approach every acquisition opportunity with creative structures, which we believe enables us to engineer mutually attractive scenarios for sellers, whereas competing buyers may be limited by their rigid structural requirements. We believe our commitment to conservative capital structures and valuation will enhance each acquired operating subsidiary's ability to deliver consistent levels of cash available for distribution, while additionally supporting reinvestment for growth.

Value Proposition for Business Owners. We employ a creative, flexible approach by tailoring each acquisition structure to meet the specific liquidity needs and certain qualitative objectives of the target's owners and management team. In addition to serving as an exit pathway for sellers, we seek to align our interests with the sellers by enabling them to retain and/or earn (through incentive compensation) a substantial economic interest in their businesses following the acquisition and by typically allowing the incumbent management team to retain operating control of the acquired operating subsidiary on a day-to-day basis. We believe that our company is an appealing buyer for small business owners and managers due to our track record of capitalizing portfolio companies conservatively, enhancing our ability to execute on its strategic initiatives and adding equity value. As a result, we believe business owners and managers will find our company to be a dynamic, value-added buyer that brings considerable resources to achieve their strategic, capital and operating needs, resulting in substantial value creation for the operating subsidiary.

Operating Partner. Our manager has consistently worked with a strong network of seasoned operating partners - former entrepreneurs and executives with extensive experience building, managing and optimizing successful small businesses across a range of industries. We believe that our operating partner model will enable us to make a significant improvement in the operating subsidiary, as compared to other buyers, such as traditional private equity firms, which rely principally upon investment professionals to make acquisition/investment and monitoring decisions regarding not only the business, financial and legal due diligence aspects of a business but also the more operational aspects including industry dynamics, management strength and strategic growth initiatives. We typically engage an operating partner soon after identifying a target business for acquisition, enhancing our acquisition judgment and building the acquisition team's relationship with the subsidiary's management team. Operating partners usually serve as a member of the board of directors of an operating subsidiary and spend two to four days per month working with the subsidiary's management team. We leverage the operating partner's extensive experience to build the management team, improve operations and assist with strategic growth initiatives, resulting in value creation.

Small Business Market Experience. We believe the history and experience of our manager's partnering with companies in the small business market allows us to identify highly attractive acquisition opportunities and add significant value to our operating subsidiaries. Our manager's investment experience in the small business market prior to forming our company has further contributed to our institutional expertise in the acquisition, strategic and operational decisions critical to the long-term success of small businesses. Since 2000, the management team of our manager has collectively been presented with several thousand investment opportunities and actively worked with more than 30 small businesses on all facets of their strategy, development and operations, which we have successfully translated into unique, institutionalized capabilities directed towards creating value in small businesses.

Intellectual Property

Our manager owns certain intellectual property relating to the term "1847." Our manager has granted our company a license to use the term "1847" in its business.

Employees

As of December 31, 2025, our company had six full-time employees (excluding our operating subsidiaries described below).

OUR CORPORATE STRUCTURE AND HISTORY

Our company is a Delaware limited liability company that was formed on January 22, 2013. Your rights as a holder of common shares, and the fiduciary duties of our board of directors and executive officers, and any limitations relating thereto, are set forth in the operating agreement governing our company and differ from those applying to a Delaware corporation. However, subject to certain exceptions, the documents governing our company specify that the duties of our directors and officers will be generally consistent with the duties of directors and officers of a Delaware corporation.

Our company is classified as a partnership for U.S. federal income tax purposes. Under the partnership income tax provisions, our company is not expected to incur any U.S. federal income tax liability; rather, each of our shareholders will be required to take into account his or her allocable share of company income, gain, loss, deduction and credit. As a holder of our shares, you may not receive cash distributions sufficient in amount to cover taxes in respect of your allocable share of our net taxable income. We will file a partnership return with the IRS and will issue you with tax information, including a Schedule K-1, setting forth your allocable share of our income, gain, loss, deduction, credit and other items. The U.S. federal income tax rules that apply to partnerships are complex, and complying with the reporting requirements may require significant time and expense. See "*Material U.S. Federal Income Tax Considerations*" included in our prospectus, dated October 28, 2024 and filed with the Securities and Exchange Commission, or the SEC, on October 30, 2024 for more information.

We currently have six classes of limited liability company interests - the common shares, the series A senior convertible preferred shares, the series C senior convertible preferred shares, the series D senior convertible preferred shares, the series F convertible preferred shares and the allocation shares. All of our allocation shares have been and will continue to be held by our manager.

On May 28, 2020, our wholly owned subsidiary 1847 Asien Inc., a Delaware corporation, or 1847 Asien, acquired Asien's Appliance, Inc., a California corporation, or Asien's. On February 26, 2024, Asien's entered into a general assignment for the benefit of its creditors with SG Service Co., LLC. Pursuant to the assignment, Asien's transferred ownership of all or substantially all of its right, title, and interest in, as well as

custody and control of, its assets to SG Service Co., LLC in trust. Following the assignment, we retained no financial interest in Asien's. Accordingly, the results of operations of Asien's are reported as discontinued operations for the year ended December 31, 2024.

On September 30, 2020, our wholly owned subsidiary 1847 Cabinet Inc., a Delaware corporation, or 1847 Cabinet, acquired all of the issued and outstanding capital stock of Kyle's Custom Wood Shop, Inc., an Idaho corporation, or Kyle's. As a result of this transaction, we own 92.5% of 1847 Cabinet, with the remaining 7.5% held by a third party, and 1847 Cabinet owns 100% of Kyle's. 1847 Cabinet was formed in the State of Delaware on August 21, 2020 and Kyle's was formed in the State of Idaho on May 7, 1991.

On March 30, 2021, our wholly owned subsidiary 1847 Wolo Inc., a Delaware corporation, or 1847 Wolo, acquired all of the issued and outstanding capital stock of Wolo Mfg. Corp., a New York corporation, and Wolo Industrial Horn & Signal, Inc., a New York corporation, which we collectively refer to as Wolo. As a result of this transaction, we own 92.4% of 1847 Wolo, with the remaining 7.6% held third parties, and 1847 Wolo owns 100% of Wolo Mfg. Corp and Wolo Industrial Horn & Signal, Inc. 1847 Wolo was formed in the State of Delaware on December 3, 2020. Wolo Mfg. Corp. was formed in the State of New York on August 6, 1965 and Wolo Industrial Horn & Signal, Inc. was formed in the State of New York on January 28, 1999.

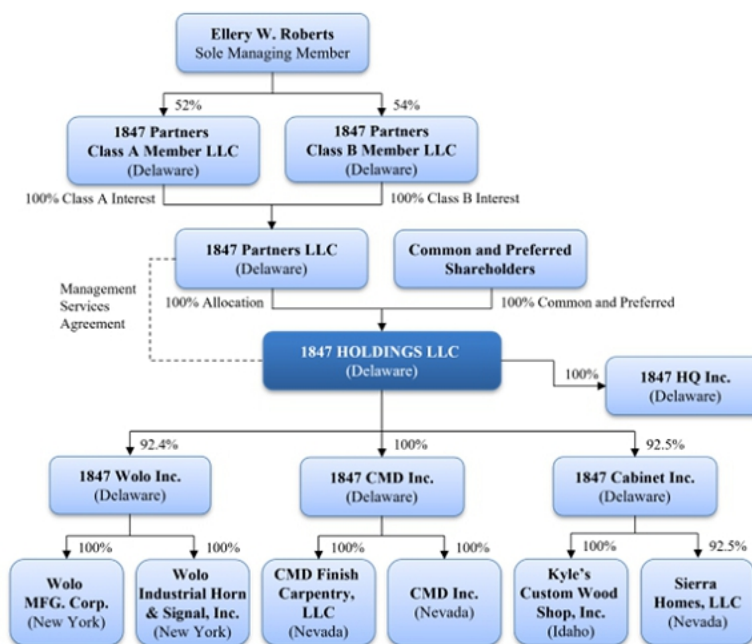
On May 14, 2021, we formed 1847 HQ Inc. as a wholly owned subsidiary in the State of Delaware to manage our benefit plans.

On October 8, 2021, 1847 Cabinet acquired all of the issued and outstanding capital stock or other equity securities of High Mountain Door & Trim Inc., a Nevada corporation, or High Mountain, and Sierra Homes, LLC d/b/a Innovative Cabinets & Design, a Nevada limited liability company, or ICD. As a result of this transaction, 1847 Cabinet acquired 92.5% of High Mountain and ICD, with the remaining 7.5% held by a third party. ICD was formed in the State of Nevada on June 17, 2008. On September 30, 2024, we entered into an asset purchase agreement, or the Purchase Agreement, with BFS Group LLC, or BFS, and High Mountain, pursuant to which we sold substantially all of the assets of High Mountain to BFS. Accordingly, the results of operations of High Mountain are reported as discontinued operations for the year ended December 31, 2024.

On February 9, 2023, our wholly owned subsidiary 1847 ICU Holdings Inc., a Delaware corporation, or 1847 ICU, acquired ICU Eyewear Holdings, Inc., a California corporation, and its subsidiary ICU Eyewear, Inc., a California corporation, which we collectively refer to as ICU Eyewear. Our company was a limited guarantor of an amended and restated credit and security agreement, or Loan Agreement, that was entered into on September 11, 2023 between AB Lending SPV I LLC d/b/a Mountain Ridge Capital, or the ICU Lender, and 1847 ICU and ICU Eyewear. Pursuant to the Loan Agreement, the ICU Lender had a security interest in all the assets of ICU Eyewear. ICU Eyewear was in default under the Loan Agreement and consented to a foreclosure by the ICU Lender and private sale of substantially all of its assets in an Article 9 sale process, pursuant to Section 9-610 of the Uniform Commercial Code as in effect in the State of New York and Section 9-610 of the Uniform Commercial Code as in effect in the State of California. On August 5, 2024, ICU Eyecare Solutions Inc., an entity that is not affiliated with our company, was the successful bidder with a cash bid of $4,250,000. Pursuant to an agreement, dated August 5, 2024, and in consideration for such purchase price, the ICU Lender having foreclosed on its security interest in all of the assets of ICU Eyewear then conveyed all of its rights, title, and interest in all of such assets to ICU Eyecare Solutions Inc. Following the sale, we retained no financial interest in ICU Eyewear. Accordingly, the results of operations of ICU Eyewear are reported as discontinued operations for the year ended December 31, 2024.

On December 16, 2024, our wholly owned subsidiary 1847 CMD Inc., a Delaware corporation, or 1847 CMD, acquired all of the issued and outstanding capital stock or other equity securities of CMD Inc., a Nevada corporation, and CMD Finish Carpentry, LLC, a Nevada limited liability company, which we collectively refer to as CMD. As a result of this transaction, we own 100% of 1847 CMD and 1847 CMD owns 100% of CMD Inc. and CMD Finish Carpentry LLC. 1847 CMD Inc. was formed in the State of Delaware on October 22, 2024. CMD Inc. was formed in the State of Nevada on September 28, 2012 and CMD Finish Carpentry, LLC was formed in the State of Nevada on August 15, 2024.

The following chart depicts our current organizational structure:



See "*—Our Manager*" for more details regarding the ownership of our manager.

OUR MANAGER

Overview of Our Manager

Our manager, 1847 Partners LLC, is a Delaware limited liability company. It has two classes of limited liability interests known as Class A interests and Class B interests. The Class A interests, which give the holder the right to the profit allocation received by our manager as a result of holding our allocation shares, are owned in their entirety by 1847 Partners Class A Member LLC; and the Class B interests, which give the holder the right to all other profits or losses of our manager, including the management fee payable to our manager by us, are owned in their entirety by 1847 Partners Class B Member LLC. 1847 Partners Class A Member LLC is owned 52% by Ellery W. Roberts, our Chief Executive Officer, 38% by 1847 Founders Capital LLC, which is owned by Edward J. Tobin, and approximately 9% by Louis A. Bevilacqua, the managing member of Bevilacqua PLLC, our outside counsel, with the balance being owned by another attorney at such law firm. 1847 Partners Class B Member LLC is owned 54% by Ellery W. Roberts, 36% by 1847 Founders Capital LLC and 10% by Louis A. Bevilacqua. Mr. Roberts is also the sole manager of both entities. In the future, Mr. Roberts may cause 1847 Partners Class A Member LLC or 1847 Partners Class B Member LLC to issue units to employees of our manager to incentivize those employees by providing them with the ability to participate in our manager's incentive allocation and management fee.

Key Personnel of Our Manager

The key personnel of our manager are Ellery W. Roberts, our Chief Executive Officer, and Edward J. Tobin. Each of these individuals will be compensated entirely by our manager from the management fees it receives. As employees of our manager, these individuals devote a substantial majority of their time to the affairs of our company.

Collectively, the management team of our manager has more than 60 years of combined experience in acquiring and managing small businesses and has overseen the acquisitions and financing of over 50 businesses.

Acquisition and Disposition Opportunities

Our manager has exclusive responsibility for reviewing and making recommendations to our board of directors with respect to acquisition and disposition opportunities. If our manager does not originate an

opportunity, our board of directors will seek a recommendation from our manager prior to making a decision concerning such opportunity. In the case of any acquisition or disposition opportunity that involves an affiliate of our manager or us, our nominating and corporate governance committee, or, if we do not have such a committee, the independent members of our board of directors, will be required to authorize and approve such transaction.

Our manager will review each acquisition or disposition opportunity presented to our manager to determine if such opportunity satisfies the acquisition and disposition criteria established by our board of directors. The acquisition and disposition criteria provide that our manager will review each acquisition opportunity presented to it to determine if such opportunity satisfies our acquisition and disposition criteria, and if it is determined, in our manager's sole discretion, that an opportunity satisfies the criteria, our manager will refer the opportunity to our board of directors for its authorization and approval prior to the consummation of any such opportunity.

Our investment criteria include the following:

- Revenue of at least $5.0 million
- Current year EBITDA/Pre-tax Income of at least $1.5 million with a history of positive cash flow
- Clearly identifiable "blueprint" for growth with the potential for break-out returns
- Well-positioned companies within our core industry categories (consumer-driven, business-to-business, light manufacturing and specialty finance) with strong returns on capital
- Opportunities wherein building management team, infrastructure and access to capital are the primary drivers of creating value
- Headquartered in North America

We believe we will be able to acquire small businesses for multiples ranging from three to six times EBITDA. With respect to investment opportunities that do not fall within the criteria set forth above, our manager must first present such opportunities to our board of directors. Our board of directors and our manager will review these criteria from time to time and our board of directors may make changes and modifications to such criteria as we make additional acquisitions and dispositions.

If an acquisition opportunity is referred to our board of directors by our manager and our board of directors determines not to timely pursue such opportunity in whole or in part, any part of such opportunity that we do not promptly pursue may be pursued by our manager or may be referred by our manager to any person, including affiliates of our manager. In this case, our manager is likely to devote a portion of its time to the oversight of this opportunity, including the management of a business that we do not own.

If there is a disposition, our manager must use its commercially reasonable efforts to manage a process through which the value of such disposition can be maximized, taking into consideration non-financial factors such as those relating to competition, strategic partnerships, potential favorable or adverse effects on us, our businesses, or our investments or any similar factors that may reasonably perceived as having a short- or long-term impact on our business, results of operations and financial condition.

Management Services Agreement

The management services agreement sets forth the services performed by our manager. Our manager performs such services subject to the oversight and supervision of our board of directors.

In general, our manager performs those services for us that would be typically performed by the executive officers of a company. Specifically, our manager performs the following services, which we refer to as the management services, pursuant to the management services agreement:

- manage our day-to-day business and operations, including our liquidity and capital resources and compliance with applicable law;
- identify, evaluate, manage, perform due diligence on, negotiate and oversee acquisitions of target businesses and any other investments;
- evaluate and oversee the financial and operational performance of our businesses, including monitoring the business and operations of such businesses, and the financial performance of any other investments that we make;
- provide, on our behalf, managerial assistance to our businesses;
- evaluate, manage, negotiate and oversee dispositions of all or any part of any of our property, assets or investments, including disposition of all or any part of our businesses;
- provide or second, as necessary, employees of our manager to serve as our executive officers or other employees or as members of our board of directors; and
- perform any other services that would be customarily performed by executive officers and employees of a publicly listed or quoted company.

We and our manager have the right at any time during the term of the management services agreement to change the services provided by our manager. In performing management services, our manager has all necessary power and authority to perform, or cause to be performed, such services on our behalf, and, in this respect, our manager is the only provider of management services to us. Nonetheless, our manager is required to obtain authorization and approval of our board of directors in all circumstances where executive officers of a corporation typically would be required to obtain authorization and approval of a corporation's board of directors, including, for example, with respect to the consummation of an acquisition of a target business, the issuance of securities or the entry into credit arrangements.

While our Chief Executive Officer, Mr. Ellery W. Roberts, intends to devote substantially all of his time to the affairs of our company, neither Mr. Roberts, nor our manager, is expressly prohibited from investing in or managing other entities. In this regard, the management services agreement does not require our manager and its affiliates to provide management services to us exclusively.

Secondment of Our Executive Officers

In accordance with the terms of the management services agreement, our manager may second to us our executive officers, which means that these individuals will be assigned by our manager to work for us during the term of the management services agreement. Our board of directors has appointed Mr. Roberts as an executive officer of our company. Although Mr. Roberts is an employee of our manager, he will report directly, and be subject, to our board of directors. In this respect, our board of directors may, after due consultation with our manager, at any time request that our manager replace any individual seconded to us and our manager will, as promptly as practicable, replace any such individual; however, our Chief Executive Officer, Mr. Roberts, controls our manager, which may make it difficult for our board of directors to completely sever ties with Mr. Roberts. Our manager and our board of directors may agree from time to time that our manager will second to us one or more additional individuals to serve on our behalf, upon such terms as our manager and our board of directors may mutually agree.

Indemnification by our Company

We have agreed to indemnify and hold harmless our manager and its employees and representatives, including any individuals seconded to us, from and against all losses, claims and liabilities incurred by our manager in connection with, relating to or arising out of the performance of any management services. However, we will not be obligated to indemnify or hold harmless our manager for any losses, claims and liabilities incurred by our manager in connection with, relating to or arising out of (i) a breach by our manager or its employees or its representatives of the management services agreement, (ii) the gross negligence, willful misconduct, bad faith or reckless disregard of our manager or its employees or representatives in the performance of any of its obligations under the management services agreement, or (iii) fraudulent or dishonest acts of our manager or its employees or representatives with respect to our company or any of its businesses.

Termination of Management Services Agreement

Our board of directors may terminate the management services agreement and our manager's appointment if, at any time:

- a majority of our board of directors vote to terminate the management services agreement, and the holders of at least a majority of the outstanding shares (other than shares beneficially owned by our manager) then entitled to vote also vote to terminate the management services agreement;
- neither Mr. Roberts nor his designated successor controls our manager, which change of control occurs without the prior written consent of our board of directors;

- there is a finding by a court of competent jurisdiction in a final, non-appealable order that (i) our manager materially breached the terms of the management services agreement and such breach continued unremedied for 60 days after our manager receives written notice from us setting forth the terms of such breach, or (ii) our manager (x) acted with gross negligence, willful misconduct, bad faith or reckless disregard in performing its duties and obligations under the management services agreement, or (y) engaged in fraudulent or dishonest acts in connection with our business or operations;

- our manager has been convicted of a felony under federal or state law, our board of directors finds that our manager is demonstrably and materially incapable of performing its duties and obligations under the management services agreement, and the holders of at least 66 2/3% of the then outstanding shares, other than shares beneficially owned by our manager, vote to terminate the management services agreement; or

- there is a finding by a court of competent jurisdiction that our manager has (i) engaged in fraudulent or dishonest acts in connection with our business or operations or (ii) acted with gross negligence, willful misconduct, bad faith or reckless disregard in performing its duties and obligations under the management services agreement, and the holders of at least 66 2/3% of the then outstanding shares (other than shares beneficially owned by our manager) vote to terminate the management services agreement.

In addition, our manager may resign and terminate the management services agreement at any time upon 120 days prior written notice to us, and this right is not contingent upon the finding of a replacement manager. However, if our manager resigns, until the date on which the resignation becomes effective, it will, upon request of our board of directors, use reasonable efforts to assist our board of directors to find a replacement manager at no cost and expense to us.

Upon the termination of the management services agreement, seconded officers, employees, representatives and delegates of our manager and its affiliates who are performing the services that are the subject of the management services agreement will resign their respective position with us and cease to work at the date of such termination or at any other time as determined by our manager. Any director appointed by our manager may continue serving on our board of directors, subject to the terms of the operating agreement.

If we terminate the management services agreement, we have agreed to cease using the term "1847", including any trademarks based on the name of our company that may be licensed to them by our manager, under the licensing provisions of the management services agreement, entirely in our business and operations within 180 days of such termination. Such licensing provisions of the management services agreement would require our company and its businesses to change their names to remove any reference to the term "1847" or any reference to trademarks licensed to them by our manager. In this respect, our right to use the term "1847" and related intellectual property is subject to licensing provisions between our manager, on the one hand, and our company, on the other hand.

Except with respect to the termination fee payable to our manager due to a termination of the management services agreement based solely on a vote of our board of directors and our shareholders, no other termination fee is payable upon termination of the management services agreement for any other reason. See "*—Our Manager as a Service Provider—Termination Fee*" for more information about the termination fee payable upon termination of the management services agreement.

While termination of the management services agreement will not affect any terms and conditions, including those relating to any payment obligations, that exist under any offsetting management services agreements or transaction services agreements, such agreements will be terminable by our businesses upon 60 days prior written notice and there will be no termination or other similar fees due upon such termination. Notwithstanding termination of the management services agreement, our manager will maintain its rights with respect to the allocation shares it then owns, including its rights under the supplemental put provision of our operating agreement. See "*—Our Manager as an Equity Holder—Supplemental Put Provision*" for more information on our manager's put right with respect to the allocation shares.

Our Relationship with Our Manager, Manager Fees and Manager Profit Allocation

Our relationship with our manager is based on our manager having two distinct roles: first, as a service provider to us and, second, as an equity holder of the allocation shares.

As a service provider, our manager performs a variety of services for us, which entitles it to receive a management fee. As holder of our allocation shares, our manager has the right to a preferred distribution in the form of a profit allocation upon the occurrence of certain events. Our manager paid $1,000 for the allocation shares. In addition, our manager will have the right to cause us to purchase the allocation shares then owned by our manager upon termination of the management services agreement.

These relationships with our manager are governed principally by the following agreements:

- the management services agreements relating to the services our manager performs for us and our businesses; and

- our operating agreement relating to our manager's rights with respect to the allocation shares it owns and which contains the supplemental put provision relating to our manager's right to cause us to purchase the allocation shares it owns.

We also expect that our manager will enter into offsetting management services agreements and transaction services agreements with our businesses directly. These agreements, and some of the material terms relating thereto, are discussed in more detail below. The management fee, profit allocation and put price under the supplemental put provision will be our payment obligations and, as a result, will be paid, along with other company obligations, prior to the payment of distributions to common shareholders.

The following table provides a simplified description of the fees and profit allocation rights held by our manager. Further detail is provided in the following subsections.

Description	Fee Calculation	Payment Term
Management Fees		
Determined by management services agreement	0.5% of adjusted net assets (2.0% annually)	Quarterly
Determined by offsetting management services agreement	Payment of fees by our subsidiary businesses that result in a dollar for dollar reduction of manager fees paid by us to our manager such that our manager cannot receive duplicate fees from both us and our subsidiary	Quarterly
Termination fee – determined by management services agreement	Accumulated management fee paid in the preceding 4 fiscal quarters multiplied by 2. Paid only upon termination by our board and a majority in interest of our shareholders	
Determined by management services agreement	Reimbursement of manager's costs and expenses in providing services to us, but not including: (1) costs of overhead; (2) due diligence and other costs for potential acquisitions our board of directors does not approve pursuing or that are required by acquisition target to be reimbursed under a transaction services agreement; and (3) certain seconded officers and employees	Ongoing
Transaction Services Fees		
Acquisition services of target businesses or disposition of subsidiaries – fees determined by transaction services agreements	2.0% of aggregate purchase price up to $50 million; plus 1.5% of aggregate purchase price in excess of $50 million and up to and equal to $100 million; plus 1.0% of aggregate purchase price in excess of $100 million	Per transaction
Manager profit allocation determined by our operating agreement	20% of certain profits and gains on a sale of subsidiary after clearance of the 8% annual hurdle rate 8% hurdle rate determined for any subsidiary by multiplying the subsidiary's average quarterly share of our assets by an 8% annualized rate	Sale of a material amount of capital stock or assets of one of our businesses or subsidiaries. Holding event: at the option of our manager, for the 30 day period following the 5th anniversary of an acquired business (but only based on historical profits of the business)

Our Manager as a Service Provider

Management Fee

We will pay our manager a quarterly management fee equal to 0.5% (2.0% annualized) of its adjusted net assets, as discussed in more detail below (which we refer to as the parent management fee).

Subject to any adjustments discussed below, for performing management services under the management services agreement during any fiscal quarter, we will pay our manager a management fee with respect to such fiscal quarter. The management fee to be paid with respect to any fiscal quarter will be calculated as of the last day of such fiscal quarter, which we refer to as the calculation date. The management fee will be calculated by an administrator, which will be our manager so long as the management services agreement is in effect. The amount of any management fee payable by us as of any calculation date with respect to any fiscal quarter will be (i) reduced by the aggregate amount of any offsetting management fees, if any, received by our manager from any of our businesses with respect to such fiscal quarter, (ii) reduced (or increased) by the amount of any over-paid (or under-paid) management fees received by (or owed to) our manager as of such calculation date, and (iii) increased by the amount of any outstanding accrued and unpaid management fees.

The management fee will be paid prior to the payment of distributions to our common shareholders. If we do not have sufficient liquid assets to pay the management fee when due, we may be required to liquidate assets or incur debt in order to pay the management fee.

Offsetting Management Services Agreements

Pursuant to the management services agreement, we have agreed that our manager may, at any time, enter into offsetting management services agreements with our businesses pursuant to which our manager may perform services that may or may not be similar to management services. Any fees to be paid by one of our businesses pursuant to such agreements are referred to as offsetting management fees and will offset, on a dollar-for-dollar basis, the management fee otherwise due and payable by us under the management services agreement with respect to a fiscal quarter. The management services agreement provides that the aggregate amount of offsetting management fees to be paid to our manager with respect to any fiscal quarter shall not exceed the management fee to be paid to our manager with respect to such fiscal quarter.

Our manager entered into offsetting management services agreements with 1847 Asien, 1847 Cabinet, 1847 Wolo, 1847 ICU and 1847 CMD. See Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Management Fees*" for a description of these agreements. Our manager may also enter into offsetting management services agreements with our future subsidiaries, which agreements would be in the form prescribed by our management services agreement. The offsetting management fee paid to our manager for providing management services to a future subsidiary will vary.

The services that our manager provides under the offsetting management services agreements include: conducting general and administrative supervision and oversight of the subsidiary's day-to-day business and operations, including, but not limited to, recruiting and hiring of personnel, administration of personnel and personnel benefits, development of administrative policies and procedures, establishment and management of banking services, managing and arranging for the maintaining of liability insurance, arranging for equipment rental, maintenance of all necessary permits and licenses, acquisition of any additional licenses and permits that become necessary, participation in risk management policies and procedures; and overseeing and consulting with respect to our business and operational strategies, the implementation of such strategies and the evaluation of such strategies, including, but not limited to, strategies with respect to capital expenditure and expansion programs, acquisitions or dispositions and product or service lines. If our manager and the subsidiary do not enter into an offsetting management services agreement, our manager will provide these services for our subsidiaries under our management services agreement.

Example of Calculation of Management Fee with Adjustment for Offsetting Management Fees

In order to better understand how the management fee is calculated, we are providing the following example:

Quarterly management fee:			**(in thousands)**
1	Consolidated total assets	$	100,000
2	Consolidated accumulation amortization of intangibles		5,000
3	Total cash and cash equivalents		5,000
4	Adjusted total liabilities		(10,000)
5	Adjusted net assets (Line 1 + Line 2 – Line 3 – Line 4)		90,000
6	Multiplied by quarterly rate		0.5%
7	Quarterly management fee	$	450
Offsetting management fees:			
8	Acquired company A offsetting management fees	$	(100)
9	Acquired company B offsetting management fees		(100)
10	Acquired company C offsetting management fees		(100)
11	Acquired company D offsetting management fees		(100)
12	Total offsetting management fees (Line 8 + Line 9 – Line 10 – Line 11)		(400)
13	Quarterly management fee payable by Company (Line 7 + Line 12)	$	50

The foregoing example provides hypothetical information only and does not intend to reflect actual or expected management fee amounts.

For purposes of the calculation of the management fee:

- "Adjusted net assets" will be equal to, as of any calculation date, the sum of (i) our consolidated total assets (as determined in accordance with U.S. generally accepted accounting principles, or GAAP) as of such calculation date, plus (ii) the absolute amount of our consolidated accumulated amortization of intangibles (as determined in accordance with GAAP) as of such calculation date, minus (iii) total cash and cash equivalents, minus (iv) the absolute amount of our adjusted total liabilities as of such calculation date.

- "Adjusted total liabilities" will be equal to, as of any calculation date, our consolidated total liabilities (as determined in accordance with GAAP) as of such calculation date after excluding the effect of any outstanding third-party indebtedness.

- "Quarterly management fee" will be equal to, as of any calculation date, the product of (i) 0.5%, multiplied by (ii) our adjusted net assets as of such calculation date; provided, however, that with respect to any fiscal quarter in which the management services agreement is terminated, we will pay our manager a management fee with respect to such fiscal quarter equal to the product of (i)(x) 0.5%, multiplied by (y) our adjusted net assets as of such calculation date, multiplied by (ii) a fraction, the numerator of which is the number of days from and including the first day of such fiscal quarter to but excluding the date upon which the management services agreement is terminated and the denominator of which is the number of days in such fiscal quarter.

- "Total offsetting management fees" will be equal to, as of any calculation date, fees paid to our manager by the businesses that we acquire in the future under separate offsetting management services agreements.

Transaction Services Agreements

Pursuant to the management services agreement, we have agreed that our manager may, at any time, enter into transaction services agreements with any of our businesses relating to the performance by our manager of certain transaction-related services in connection with the acquisitions of target businesses by us or dispositions of our property or assets. These services may include those customarily performed by a third-party investment banking firm or similar financial advisor, which may or may not be similar to management services, in connection with the acquisition of target businesses by us or our subsidiaries or disposition of subsidiaries or any of our property or assets or those of our subsidiaries. In connection with providing transaction services, our manager will generally receive a fee equal to the sum of (i) 2.0% of the aggregate purchase price of the target business up to and equal to $50 million, plus (ii) 1.5% of the aggregate purchase price of the target business in excess of $50 million and up to and equal to $100 million, plus (iii) 1.0% of the aggregate purchase price over $100 million, subject to annual review by our board of directors. The purchase price of a target business shall be defined as the aggregate amount of consideration, including cash and the value of any shares issued by us on the date of acquisition, paid for the equity interests of such target business plus the aggregate principal amount of any debt assumed by us of the target business on the date of acquisition or any similar formulation. The other terms and conditions relating to the performance of transaction services will be established in accordance with market practice.

Our manager may enter into transaction services agreements with our subsidiaries and future subsidiaries, which agreements would be in the form prescribed by our management services agreement.

The services that our manager will provide to our subsidiaries and future subsidiaries under the transaction services agreements will include the following services that would be provided in connection with a specific transaction identified at the time that the transaction services agreement is entered into: reviewing, evaluating and otherwise familiarizing itself and its affiliates with the business, operations, properties, financial condition and prospects of the future subsidiary and its target acquisition and preparing documentation describing the future subsidiary's operations, management, historical financial results, projected financial results and any other relevant matters and presenting such documentation and making recommendations with respect thereto to certain of our manager's affiliates.

Any fees received by our manager pursuant to such a transaction services agreement will be in addition to the management fee payable by us pursuant to the management services agreement and will not offset the payment of such management fee. A transaction services agreement with any of our businesses may provide for the reimbursement of costs and expenses incurred by our manager in connection with the acquisition of such businesses.

Transaction services agreements will be reviewed, authorized and approved by our board of directors on an annual basis.

Reimbursement of Expenses

We are responsible for paying costs and expenses relating to its business and operations. We agreed to reimburse our manager during the term of the management services agreement for all costs and expenses that are incurred by our manager or its affiliates on our behalf of, including any out-of-pocket costs and expenses incurred in connection with the performance of services under the management services agreement, and all costs and expenses the reimbursement of which are specifically approved by our board of directors.

We will not be obligated or responsible for reimbursing or otherwise paying for any costs or expenses relating to our manager's overhead or any other costs and expenses relating to our manager's conduct of its business and operations. Also, we will not be obligated or responsible for reimbursing our manager for costs and expenses incurred by our manager in the identification, evaluation, management, performance of due diligence on, negotiation and oversight of potential acquisitions of new businesses for which we (or our manager on our behalf) fail to submit an indication of interest or letter of intent to pursue such acquisition, including costs and expenses relating to travel, marketing and attendance of industry events and retention of outside service providers relating thereto. In addition, we will not be obligated or responsible for reimbursing our manager for costs and expenses incurred by our manager in connection with the identification, evaluation, management, performance of due diligence on, negotiating and oversight of an acquisition by us if such acquisition is actually consummated and the business so acquired entered into a transaction services agreement with our manager providing for the reimbursement of such costs and expenses by such business. In this respect, the costs and expenses associated with the pursuit of add-on acquisitions may be reimbursed by any businesses so acquired pursuant to a transaction services agreement.

All reimbursements will be reviewed and, in certain circumstances, approved by our board of directors on an annual basis in connection with the preparation of year-end financial statements.

Termination Fee

We will pay our manager a termination fee upon termination of the management services agreement if such termination is based solely on a vote of our board of directors and our shareholders; no other termination fee will be payable to our manager in connection with the termination of the management services agreement for any other reason. The termination fee that is payable to our manager will be equal to the product of (i) two (2) multiplied by (ii) the sum of the amount of the quarterly management fees calculated with respect to the four fiscal quarters immediately preceding the termination date of the management services agreement. The termination fee will be payable in eight equal quarterly installments, with the first such installment being paid on or within five (5) business days of the last day of the fiscal quarter in which the management services agreement was terminated and each subsequent installment being paid on or within five (5) business days of the last day of each subsequent fiscal quarter, until such time as the termination fee is paid in full to our manager.

Our Manager as an Equity Holder

Manager's Profit Allocation

Our manager owns 100% of our allocation shares, which generally will entitle our manager to receive a 20% profit allocation as a form of preferred distribution. Upon the sale of a subsidiary, our manager will be paid a profit allocation if the sum of (i) the excess of the gain on the sale of such subsidiary over a high-water mark plus (ii) the subsidiary's net income since its acquisition by us exceeds the 8% hurdle rate. The 8% hurdle rate is the product of (i) a 2% rate per quarter, multiplied by (ii) the number of quarters such subsidiary was held by us, multiplied by (iii) the subsidiary's average share (determined based on gross assets, generally) of our consolidated net equity (determined according to GAAP with certain adjustments). In certain circumstances, after a subsidiary has been held for at least 5 years, our manager may also trigger a profit allocation with respect to such subsidiary (determined based solely on the subsidiary's net income since its acquisition). The calculation of the profit allocation and the rights of our manager, as the holder of the allocation shares, are governed by the operating agreement.

Our board will have the opportunity to review and approve the calculation of manager's profit allocation when it becomes due and payable. Our manager will not receive a profit allocation on an annual basis. Instead, our manager will be paid a profit allocation only upon the occurrence of one of the following events, which we refer to collectively as the trigger events:

- the sale of a material amount, as determined by our manager and reasonably consented to by a majority of our board of directors, of the capital stock or assets of one of our subsidiaries or a subsidiary of one of our subsidiaries, including a distribution of our ownership of a subsidiary to our shareholders in a spin-off or similar transaction, which event we refer to as a sale event; or

- at the option of our manager, for the 30-day period following the fifth anniversary of the date upon which we acquired a controlling interest in a business, which event we refer to as a holding event. If our manager elects to forego declaring a holding event with respect to such business during such period, then our manager may only declare a holding event with respect to such business during the 30-day period following each anniversary of such fifth anniversary date with respect to such business. Once declared, our manager may only declare another holding event with respect to a business following the fifth anniversary of the calculation date with respect to a previously declared holding event.

We believe this payment timing, rather than a method that provides for annual allocation payments, more accurately reflects the long-term performance of each of our businesses and is consistent with our intent to hold, manage and grow our businesses over the long term. We refer generally to the obligation to make this payment to our manager as the "profit allocation" and, specifically, to the amount of any particular profit allocation as the "manager's profit allocation."

Definitions used in, and an example of the calculation of profit allocation, are set forth in more detail below.

The amount of our manager's profit allocation will be based on the extent to which the "total profit allocation amount" (as defined below) with respect to any business, as of the last day of any fiscal quarter in which a trigger event occurs, which date we refer to as the "calculation date", exceeds the relevant hurdle amounts (as described below) with respect to such business, as of such calculation date. Our manager's profit allocation will be calculated by an administrator, which will be our manager so long as the management services agreement is in effect, and such calculation will be subject to a review and approval process by our board of directors. For this purpose, "total profit allocation amount" will be equal to, with respect to any business as of any calculation date, the sum of:

- the contribution-based profit (as described below) of such business as of such calculation date, which will be calculated upon the occurrence of any trigger event with respect to such business; plus

- the excess of our cumulative gains and losses (as described below) over the high-water mark (as described below) as of such calculation date, which will only be calculated upon the occurrence of a sale event with respect to such business, and not on a holding event (we generally expect this component to be the most significant component in calculating total profit allocation amount).

Specifically, manager's profit allocation will be calculated and paid as follows:

- manager's profit allocation will not be paid with respect to a trigger event relating to any business if the total profit allocation amount, as of any calculation date, with respect to such business does not exceed such business' level 1 hurdle amount (based on an 8% annualized hurdle rate, as described below), as of such calculation date; and

- manager's profit allocation will be paid with respect to a trigger event relating to any business if the total profit allocation amount, as of any calculation date, with respect to such business exceeds such business' level 1 hurdle amount, as of such calculation date. Our manager's profit allocation to be paid with respect to such calculation date will be equal to the sum of the following:

  - 100% of such business' total profit allocation amount, as of such calculation date, with respect to that portion of the total profit allocation amount that exceeds such business' level 1 hurdle amount (but is less than or equal to such business' level 2 hurdle amount (which is based on a 10% annualized hurdle rate, as described below), in each case, as of such calculation date. We refer to this portion of the total profit allocation amount as the "catch-up." The "catch-up" is intended to provide our manager with an overall profit allocation of 20% of the business' total profit allocation amount until such business' level 2 hurdle amount has been reached; plus

  - 20% of the total profit allocation amount, as of such calculation date, that exceeds such business' level 2 hurdle amount as of such calculation date; minus

  - the high-water mark allocation, if any, as of such calculation date. The effect of deducting the high-water mark allocation is to take into account profit allocations our manager has already received in respect of past gains attributable to previous sale events.

The administrator will calculate our manager's profit allocation on or promptly following the relevant calculation date, subject to a "true-up" calculation upon availability of audited or unaudited consolidated financial statements, as the case may be, to the extent not available on such calculation date. Any adjustment necessitated by the true-up calculation will be made in connection with the next calculation of manager's profit allocation. Because of the length of time that may pass between trigger events, there may be a significant delay in our ability to realize the benefit, if any, of a true-up of our manager's profit allocation.

Once calculated, the administrator will submit the calculation of our manager's profit allocation, as adjusted pursuant to any true-up, to our board of directors for its review and approval. The board of directors will have ten business days to review and approve the calculation, which approval shall be automatic absent disapproval by the board of directors. Our manager's profit allocation will be paid ten business days after such

approval.

If the board of directors disapproves of the administrator's calculation of manager's profit allocation, the calculation and payment of manager's profit allocation will be subject to a dispute resolution process, which may result in our manager's profit allocation being determined, at our cost and expense, by two independent accounting firms. Any determination by such independent accounting firms will be conclusive and binding on us and our manager.

We will also pay a tax distribution to our manager if our manager is allocated taxable income by us but does not realize distributions from us at least equal to the taxes payable by our manager resulting from allocations of taxable income. Any such tax distributions will be paid in a similar manner as profit allocations are paid.

For any fiscal quarter in which a trigger event occurs with respect to more than one business, the calculation of our manager's profit allocation, including the components thereof, will be made with respect to each business in the order in which controlling interests in such businesses were acquired or obtained by us and the resulting amounts shall be aggregated to determine the total amount of manager's profit allocation. If controlling interests in two or more businesses were acquired at the same time and such businesses give rise to a calculation of manager's profit allocation during the same fiscal quarter, then manager's profit allocation will be further calculated separately for each such business in the order in which such businesses were sold.

The profit allocations and tax distributions will be paid prior to the payment of distributions to our shareholders. If we do not have sufficient liquid assets to pay the profit allocations or tax distributions when due, we may be required to liquidate assets or incur debt in order to pay such profit allocation. Our manager will have the right to elect to defer the payment of our manager's profit allocation due on any payment date. Once deferred, our manager may demand payment thereof upon 20 business days' prior written notice.

Termination of the management services agreement, by any means, will not affect our manager's rights with respect to the allocation shares that it owns, including its right to receive profit allocations, unless our manager exercises its put right to sell such allocation shares to us.

Example of Calculation of Manager's Profit Allocation

Our manager will receive a profit allocation at the end of the fiscal quarter in which a trigger event occurs, as follows (all dollar amounts are in millions):

<u>Assumptions</u>

Year 1:
Acquisition of Company A
Acquisition of Company B

Year 4
Company A (or assets thereof) sold for $25 capital gain (as defined below) over its net book value of assets at time of sale, which is a qualifying trigger event
Company A's average allocated share of our consolidated net equity over its ownership is $50
Company A's holding period in quarters is 12 (assuming that Company A is acquired on the first day of the year)
Company A's contribution-based profit since acquisition is $5

Year 6:
Company B's contribution-based profit since acquisition is $7
Company B's average allocated share of our consolidated net equity over its ownership is $25
Company B's holding period in quarters is 20
Company B's cumulative gains and losses are $20
Manager elects to have holding period measured for purposes of profit allocation for Company B

Profit Allocation Calculation:		**Year 4 A, due to sale**	**Year 6 B, due to 5 year hold**
1	Contribution-based profit since acquisition for respective subsidiary	$ 5	$ 7
2	Gain/ Loss on sale of company	25	0
3	Cumulative gains and losses	25	20
4	High-water mark prior to transaction	0	20
5	Total Profit Allocation Amount (Line 1 + Line 3)	30	27
6	Business' holding period in quarters since ownership or last measurement due to holding event	12	20
7	Business' average allocated share of consolidated net equity	50	25
8	Business' level 1 hurdle amount (2.00% * Line 6 * Line 7)	12	10
9	Business' excess over level 1 hurdle amount (Line 5 – Line 8)	18	17
10	Business' level 2 hurdle amount (125% * Line 8)	15	12.5
11	Allocated to manager as "catch-up" (Line 10 – Line 8)	3	2.5
12	Excess over level 2 hurdle amount (Line 9 – Line 11)	15	14.5
13	Allocated to manager from excess over level 2 hurdle amount (20% * Line 12)	3	2.9
14	Cumulative allocation to manager (Line 11 + Line 13)	6	5.4
15	High-water mark allocation (20% * Line 4)	0	4
16	Manager's Profit Allocation for Current Period (Line 14 – Line 15,> 0)	$ 6	$ 1.4

For purposes of calculating profit allocation:

- An entity's "*adjusted net assets*" will be equal to, as of any date, the sum of (i) such entity's consolidated total assets (as determined in accordance with GAAP) as of such date, plus (ii) the absolute amount of such entity's consolidated accumulated amortization of intangibles (as determined in accordance with GAAP) as of such date, minus (iii) the absolute amount of such entity's adjusted total liabilities as of such date.

- An entity's "*adjusted total liabilities*" will be equal to, as of any date, such entity's consolidated total liabilities (as determined in accordance with GAAP) as of such date after excluding the effect of any outstanding third-party indebtedness of such entity.

- A business' "*allocated share of our overhead*" will be equal to, with respect to any measurement period as of any calculation date, the aggregate amount of such business' quarterly share of our overhead for each fiscal quarter ending during such measurement period.

- A business' "*average allocated share of our consolidated equity*" will be equal to, with respect to any measurement period as of any calculation date, the average (i.e., arithmetic mean) of a business' quarterly allocated share of our consolidated equity for each fiscal quarter ending during such measurement period.

- "*Capital gains*" (i) means, with respect to any entity, capital gains (as determined in accordance with GAAP) that are calculated with respect to the sale of capital stock or assets of such entity and which sale gave rise to a sale event and the calculation of profit allocation and (ii) will be equal to the amount, adjusted for minority interests, by which (x) the net sales price of such capital stock or assets, as the case may be, exceeded (y) the net book value (as determined in accordance with GAAP) of such capital stock or assets, as the case may be, at the time of such sale, as reflected on our consolidated balance sheet prepared in accordance with GAAP; provided, that such amount shall not be less than zero.

- "*Capital losses*" (i) means, with respect to any entity, capital losses (as determined in accordance with GAAP) that are calculated with respect to the sale of capital stock or assets of such entity and which sale gave rise to a sale event and the calculation of profit allocation and (ii) will be equal to the amount, adjusted for minority interests, by which (x) the net book value (as determined in accordance with GAAP) of such capital stock or assets, as the case may be, at the time of such sale, as reflected on our consolidated balance sheet prepared in accordance with GAAP, *exceeded* (y) the net sales price of such capital stock or assets, as the case may be; *provided*, that such absolute amount thereof shall not be less than zero.

- Our "*consolidated net equity*" will be equal to, as of any date, the *sum* of (i) our consolidated total assets (as determined in accordance with GAAP) as of such date, *plus* (ii) the aggregate amount of asset impairments (as determined in accordance with GAAP) that were taken relating to any businesses owned by us as of such date, *plus* (iii) our consolidated accumulated amortization of intangibles (as determined in accordance with GAAP), as of such date *minus* (iv) our consolidated total liabilities (as determined in accordance with GAAP) as of such date.

- A business' "*contribution-based* profits" will be equal to, for any measurement period as of any calculation date, the sum of (i) the aggregate amount of such business' net income (as determined in accordance with GAAP and as adjusted for minority interests) with respect to such measurement period (without giving effect to (x) any capital gains or capital losses realized by such business that arise with respect to the sale of capital stock or assets held by such business and which sale gave rise to a sale event and the calculation of profit allocation or (y) any expense attributable to the accrual or payment of any amount of profit allocation or any amount arising under the supplemental put agreement, in each case, to the extent included in the calculation of such business' net income), *plus* (ii) the absolute aggregate amount of such business' loan expense with respect to such measurement period, *minus* (iii) the absolute aggregate amount of such business' allocated share of our overhead with respect to such measurement period.

- Our "*cumulative capital gains*" will be equal to, as of any calculation date, the aggregate amount of capital gains realized by us as of such calculation date, after giving effect to any capital gains realized by us on such calculation date, since its inception.

- Our "*cumulative capital losses*" will be equal to, as of any calculation date, the aggregate amount of capital losses realized by us as of such calculation date, after giving effect to any capital losses realized by us on such calculation date, since its inception.

- Our "*cumulative gains and losses*" will be equal to, as of any calculation date, the *sum* of (i) the amount of cumulative capital gains as of such calculation date, *minus* (ii) the absolute amount of cumulative capital losses as of such calculation date.

- The "*high-water mark*" will be equal to, as of any calculation date, the highest positive amount of capital gains and losses as of such calculation date that were calculated in connection with a qualifying trigger event that occurred prior to such calculation date.

- The "*high-water mark allocation*" will be equal to, as of any calculation date, the product of (i) the amount of the high-water mark as of such calculation date, *multiplied by* (ii) 20%.

- A business' "*level 1 hurdle amount*" will be equal to, as of any calculation date, the product of (i) (x) the quarterly hurdle rate of 2.00% (8% annualized), *multiplied by* (y) the number of fiscal quarters ending during such business' measurement period as of such calculation date, *multiplied by* (ii) a business' average allocated share of our consolidated equity for each fiscal quarter ending during such measurement period.

- A business' "*level 2 hurdle amount*" will be equal to, as of any calculation date, the product of (i) (x) the quarterly hurdle rate of 2.5% (10% annualized, which is 125% of the 8% annualized hurdle rate), *multiplied by* (y) the number of fiscal quarters ending during such business' measurement period as of such calculation date, *multiplied by* (ii) a business' average allocated share of our consolidated equity for each fiscal quarter ending during such measurement period.

- A business' "*loan expense*" will be equal to, with respect to any measurement period as of any calculation date, the aggregate amount of all interest or other expenses paid by such business with respect to indebtedness of such business to either our company or other company businesses with respect to such measurement period.

- The "*measurement period*" will mean, with respect to any business as of any calculation date, the period from and including the later of (i) the date upon which we acquired a controlling interest in such business and (ii) the immediately preceding calculation date as of which contribution-based profits were calculated with respect to such business and with respect to which profit allocation were paid (or, at the election of the allocation member, deferred) by us up to and including such calculation date.

- Our "*overhead*" will be equal to, with respect to any fiscal quarter, the *sum* of (i) that portion of our operating expenses (as determined in accordance with GAAP) (without giving effect to any expense attributable to the accrual or payment of any amount of profit allocation or any amount arising under the supplemental put agreement to the extent included in the calculation of our operating expenses), including any management fees actually paid by us to our manager, with respect to such fiscal quarter that are not attributable to any of the businesses owned by us (i.e., operating expenses that do not correspond to operating expenses of such businesses with respect to such fiscal quarter), *plus* (ii) our accrued interest expense (as determined in accordance with GAAP) on any outstanding third-party indebtedness with respect to such fiscal quarter, *minus* (iii) revenue, interest income and other income reflected in our unconsolidated financial statements as prepared in accordance with GAAP.

- A "*qualifying trigger event*" will mean, with respect to any business, a trigger event that gave rise to a calculation of total profit allocation with respect to such business as of any calculation date and (ii) where the amount of total profit allocation so calculated as of such calculation date exceeded such business' level 2 hurdle amount as of such calculation date.

- A business' "*quarterly allocated share of our consolidated equity*" will be equal to, with respect to any fiscal quarter, the *product* of (i) our consolidated net equity as of the last day of such fiscal quarter, *multiplied by* (ii) a fraction, the numerator of which is such business' adjusted net assets as of the last day of such fiscal quarter and the denominator of which is the *sum* of (x) our adjusted net assets as of the last day of such fiscal quarter, *minus* (y) the aggregate amount of any cash and cash equivalents as such amount is reflected on our consolidated balance sheet as prepared in accordance with GAAP that is not taken into account in the calculation of any business' adjusted net assets as of the last day of such fiscal quarter.

- A business' "*quarterly share of our overhead*" will be equal to, with respect to any fiscal quarter, the *product* of (i) the absolute amount of our overhead with respect to such fiscal quarter, *multiplied by* (ii) a fraction, the numerator of which is such business' adjusted net assets as of the last day of such fiscal quarter and the denominator of which is our adjusted net assets as of the last day of such fiscal quarter.

- An entity's "*third-party indebtedness*" means any indebtedness of such entity owed to any third-party lenders that are not affiliated with such entity.

Supplemental Put Provision

In addition to the provisions discussed above, in consideration of our manager's acquisition of the allocation shares, our operating agreement contains a supplemental put provision pursuant to which our manager will have the right to cause us to purchase the allocation shares then owned by our manager upon termination of the management services agreement.

If the management services agreement is terminated at any time or our manager resigns, then our manager will have the right, but not the obligation, for one year from the date of such termination or resignation, as the case may be, to elect to cause us to purchase all of the allocation shares then owned by our manager for the put price as of the put exercise date.

For purposes of this provision, the "put price" is equal to, as of any exercise date, (i) if we terminate the management services agreement, the sum of two separate, independently made calculations of the aggregate amount of manager's profit allocation as of such exercise date or (ii) if our manager resigns, the average of two separate, independently made calculations of the aggregate amount of manager's profit allocation as of such exercise date, in each case, calculated assuming that (x) all of the businesses are sold in an orderly fashion for fair market value as of such exercise date in the order in which the controlling interest in each business was acquired or otherwise obtained by us, (y) the last day of the fiscal quarter ending immediately prior to such exercise date is the relevant calculation date for purposes of calculating manager's profit allocation as of such exercise date. Each of the two separate, independently made calculations of our manager's profit allocation for purposes of calculating the put price will be performed by a different investment bank that is engaged by us at our cost and expense. The put price will be adjusted to account for a final "true-up" of our manager's profit allocation.

We and our manager can mutually agree to permit us to issue a note in lieu of payment of the put price when due; provided, that if our manager resigns and terminates the management services agreement, then we will have the right, in our sole discretion, to issue a note in lieu of payment of the put price when due. In either case the note would have an aggregate principal amount equal to the put price, would bear interest at a rate of LIBOR plus 4.0% per annum, would mature on the first anniversary of the date upon which the put price was initially due, and would be secured by the then-highest priority lien available to be placed on our equity interests in each of our businesses.

Our obligations under the put provision of our operating agreement are absolute and unconditional. In addition, we will be subject to certain obligations and restrictions upon exercise of our manager's put right until such time as our obligations under the put provision of our operating agreement, including any related note, have been satisfied in full, including:

- subject to our right to issue a note in the circumstances described above, we must use commercially reasonable efforts to raise sufficient debt or equity financing to permit us to pay the put price or note when due and obtain approvals, waivers and consents or otherwise remove any restrictions imposed under contractual obligations or applicable law or regulations that have the effect of limiting or prohibiting us from satisfying our obligations under the supplemental put agreement or note;

- our manager will have the right to have a representative observe meetings of our board of directors and have the right to receive copies of all documents and other information furnished to the board of directors;

- our company and its businesses will be restricted in their ability to sell or otherwise dispose of their property or assets or any businesses they own and in their ability to incur indebtedness (other than in the ordinary course of business) without granting a lien on the proceeds therefrom to our manager, which lien will secure our obligations under the put provision of our operating agreement or note; and

- we will be restricted in our ability to (i) engage in certain mergers or consolidations, (ii) sell, transfer or otherwise dispose of all or a substantial part of our business, property or assets or all or a substantial portion of the stock or beneficial ownership of our businesses or a portion thereof, (iii) liquidate, wind-up or dissolve, (iv) acquire or purchase the property, assets, stock or beneficial ownership or another person, or (v) declare and pay distributions to our common shareholders.

We have also agreed to indemnify our manager for any losses or liabilities it incurs or suffers in connection with, arising out of or relating to its exercise of its put right or any enforcement of terms and conditions of the supplemental put provision of our operating agreement.

The put price will be paid prior to the payment of distributions to our shareholders. If we do not have sufficient liquid assets to pay the put price when due, we may be required to liquidate assets or incur debt in order to pay the put price.

Termination of the management services agreement, by any means, will not affect our manager's rights with respect to the allocation shares that it owns. In this regard, our manager will retain its put right and its allocation shares after ceasing to serve as our manager. As a result, if we terminate our manager, regardless of the reason for such termination, it would retain the right to exercise the put right and demand payment of the put price.

CONSTRUCTION BUSINESS

Our construction business is operated through our subsidiaries Kyle's, ICD, and CMD, and prior to September 30, 2024, High Mountain. As noted above, CMD was acquired on December 16, 2024. This business accounted for approximately 97.6% and 76.1% of our total revenues for the years ended December 31, 2025 and 2024, respectively.

Overview

Our construction business specializes in designing, building, and installing doors, trim, millwork, custom cabinetry, and countertops. We serve diverse customers across various sectors, including commercial, government, hospitality, and residential. Before we acquired CMD, the core business primarily served homebuilders and homeowners of single-family homes and commercial and multi-family developers in the greater Reno-Sparks-Fernley metro area in Nevada and the Boise, Idaho area. This coverage area has now expanded to include the greater Las Vegas metro area, as well as southern Utah and northern Arizona.

Products and Services

We are proficient at designing and manufacturing custom millwork utilizing a variety of materials, with core specialties in commercial, government, hospitality, and residential sectors in the greater Las Vegas metro area, as well as southern Utah and northern Arizona, which is one of the fastest growing economic regions in the Western U.S. We design and install architectural millwork and cabinets, doors, frames and hardware, and bathroom accessories and specialties.

We provide a wide variety of finished cabinetry products and services to builders of multi-family communities, as well as commercial clients in the greater Reno-Sparks-Fernley metro area in Nevada. This includes selling and installing kitchen and bathroom cabinets and countertops.

We also build cabinets for every area of a home - kitchen and bath cabinets, fireplace mantels and surrounds, entertainment systems and wall units, bookcases and office cabinets - in Boise, Idaho and the surrounding area, for builders, designers and homeowners when they are building a new home or conduct remodeling. In this market, most of the focus has been on supplying custom or semi-custom builders of residential properties.

Manufacturing

Our services consist of design, assembly, procurement, light manufacturing, and installation services. Products that utilize raw materials to manufacture products within our operations are primarily cabinetry and specialty products for custom builders in residential and commercial spaces. Most of our product volume consists of installing purchased materials that are not manufactured in our facilities.

In the Las Vegas, Nevada market, CMD utilizes several in-house technology programs and machinery, such as design and progress programs, cabinet standard manuals, and implementation operations. In the custom cabinetry division, CMD utilizes estimating software, project management software, and computer numerical control, or CNC, machinery, which automates the control, movement, and precision of cutting and machining processes, to customize production, manage a variety of projects, and maximize product workflows and efficiency. The door divisions of CMD purchase materials for contracts and install the materials at the job site, involving assembly of door frames at the company.

In the Boise, Idaho market, Kyle's operates a cabinet shop that is equipped with state-of-the-art tools operated by skilled cabinet makers. It manufactures its cabinets using its CNC machinery to maximize efficiency. The details of each custom cabinet are created by talented employees, from hand sanding to staining and painting to adding a wide array of specialty finishes, coatings, distressing and glazing.

In the Reno, Nevada market, ICD procures ready-to-assemble (RTS) cabinets through an Asian-based supply chain to the specifications of contract. The products are warehoused, assembled at the company, delivered to the job site, and installed primarily for builders of multi-family communities.

Pricing

Our strategy has been to deliver quality and performance at a value-based price target. Our pricing model generally offers better features or efficiencies than general market competitors in each product category to our builder markets.

Supplier Relationships

We source products and raw materials from multiple regional, national, and foreign suppliers. Some of our products and materials come from Asian-based suppliers. Depending on the US government's various foreign policies, products and materials from Asian-based suppliers may be subject to import tariffs. As such, we continue to explore partnership or supplier opportunities to optimize our costs.

CMD sources a variety of hollow-core doors, wood casings, lumber, metal doors and casings, manufactured trim materials and hardware for its door division, laminate and melamine wood materials for its custom cabinetry division, and pre-made door partitions, fire extinguishers, and bathroom accessories for its specialties division. The primary raw materials used to manufacture Kyle's products are melamine and veneered sheet goods, lumber, doors, and hardware. The cost of these raw materials is a key factor in pricing its products.

Historically, we have purchased key products and raw materials from a limited number of suppliers. We buy products and raw materials based on purchase orders. While we believe that there is an ample supply of most of the products and raw materials that we need, in the absence of firm and long-term contracts, we may not be able to obtain a sufficient supply of these products and raw materials from our existing suppliers or alternates in a timely fashion or at a reasonable cost. If we fail to secure a sufficient supply of key products and raw materials in a timely fashion, it could result in a significant delay in delivering our products and services, which may cause us to breach our sales contracts with our customers. Furthermore, failure to obtain a sufficient supply of these products and raw materials at a reasonable cost could also harm our revenue and gross profit margins. Please see Item 1A "*Risk Factors—Risks Related to Our Construction Business*" for a description of the risks related to our supplier relationships.

Sales and Marketing

In the Las Vegas, Nevada market, we primarily work with custom homebuilders of single-family homes, single-family homeowners, commercial and multi-family developers, and on municipal projects such as schools and public facilities. CMD operates in one of the strongest building markets in the country, with a strong, diversified customer base with builders such as Toll Brothers, Boyd Martin, Christopher Homes, and Whiting Turner Construction. Many of these relationships span over a decade and have allowed CMD to expand its footprint into northern Arizona and southern Utah.

In the Boise, Idaho market, we primarily work with custom or semi-custom home builders, but due to strong housing demands in the area, we are also tapping into the residential multi-family, new construction segment of the market.

We have high customer retention levels and have generated a considerable number of broader revenue opportunities through direct and specific interaction with our customer base. We have negotiated pricing with several long-term recurring contractor customers, which have accounted for many of our revenues. There can be no assurance that we will maintain or improve the relationships with those customers. If we cannot maintain long-term relationships with major customers or replace major customers from period to period with equivalent customers, the loss of such sales could have an adverse effect on our business, financial condition and results of operations. Please also see Item 1A "*Risk Factors—Risks Related to Our Construction Business—The loss of any of our key customers could have a materially adverse effect on our results*

of operations."

We primarily rely on direct consumer marketing and our extensive relationships with local builders to market our products. We also maintain websites at www.cmdnv.com and www.kylescabinets.com and www.innovativecabinetsanddesign.com and conduct social media marketing through Facebook pages.

Competition

We compete with specialty builders in the residential, commercial, governmental, and hospitality sectors of the Las Vegas metro market, facing different competitors in each segment. In our commercial door division, we compete primarily with Holguin, Star Hardware, and Five Star. In the multifamily sector, our main competitors are DMC, Rystin Construction, and Star Hardware. For tract homes, Next Level Door and Trim is the leading competitor, while for custom cabinetry, our competitors include Western Casework and Henrick-and-Oherron.

Because CMD offers a broad array of products and services across multiple sectors, we often serve as a "one-stop shop" for many residential and commercial developers in the Las Vegas metro area, whereas our competitors have more limited offerings.

The finished carpentry industry consists of contractors who specialize in finish carpentry services, such as on-site construction and the installation of doors, windows, stairs, shelving, cupboards, cabinets, and decks. Carpenters face significant competition from do-it-yourself (DIY) homeowners in housing alterations and additions, as well as from skilled tradespeople working for general building contractors in new construction.

In our primary markets, we encounter numerous competitors, with reputation, price, artistry, and service quality being the key competitive factors. We primarily compete with other specialty builders, such as Franklin's and Western Idaho, and to a lesser extent, against national retail chains like Home Depot and Lowe's.

Barriers to entry exist for new companies looking to enter these markets due to the available labor pool in finished carpentry and the strong relationships between industry players. These barriers also present challenges for larger competitors from outside the region when establishing a foothold. With the implementation of our business strategy focused on delivering high-value, quality products, customized solutions, and expert installations, we expect to continue competing effectively against the competitors mentioned above.

Competitive Strengths

Based on management's belief and experience in the industry, we believe that the following competitive strengths enable us to compete effectively.

- *Superior name and reputation*. We are well established in our markets (including for over 40 years in the Boise market and over 20 years in the Las Vegas market) and have built a strong reputation for best-in-class processes, product quality, and timeliness. We have strong visibility both online and among industry professionals. Over our many years in business, we have established a stellar reputation for integrity, superior service, and genuine concern for our clients and their businesses.

- *Established blue-chip clients*. We have customer lists that include many regional contractors in the areas that we service, many of whom have used us as their go-to vendors for many years.

- *Streamlined operations*. We believe that our processes and operational systems create higher-than-average efficiencies, accuracy and profitability.

- *Diversified capabilities*. We have diversified capabilities to support large homebuilders of single-family homes, commercial and multi-family developers, and governmental and hospitality developers providing flexibility toward trending markets and growth opportunities.

- *Outstanding growth opportunities*. Our portfolio, brand and reputation, and streamlined operational platform can be leveraged for expansion, both in existing regions, and other high-value surrounding areas.

- *Strong regional presence*. We operate in the in the greater Las Vegas metro and Boise metro area, which are two of the fastest growing economic regions in the Western U.S. due to its day drive distance to many of the largest commercial centers and port facilities in the United States and favorable tax and business regulation environment. There are multiple national homebuilders and multi-family developers active in the region. We are among the largest door, millwork, and custom carpentry companies in this region.

Growth Strategies

We will strive to grow our business by pursuing the following growth strategies.

- *Geographic expansion*. There are immediate opportunities for expansion into the surrounding areas, including Twin Falls, McCall, and Sun Valley in Idaho, as well as Northern and Southern Nevada, Utah, and Arizona. We believe we are well-positioned to grow in these regions, as many of our residential and multifamily developers have requested bids from us as they expand their operations.

- *Expansion to commercial projects and tract homes*. We see significant potential to delve into the commercial real estate sector and tract homes. The Las Vegas market has experienced tremendous population growth, resulting in a continual increase in demand for tract residential home developments, an area where we have done little work so far. In Boise, we primarily focus on the residential single-family new construction segment, but there is strong evidence of ongoing market demand for multi-family projects, both from our current customers and potential new ones. With the right infrastructure in place to support this market demand, we could quickly penetrate the markets for multi-family projects, office buildings, and hotel and resort properties.

- *Capacity and infrastructure expansion*. In Nevada, we are in the process of expanding our warehouse space and operations to capture additional bid opportunities in the ready-to-assemble (RTS) cabinet segment.

Employees

As of December 31, 2025, our construction companies employed 170 full-time employees. None of the employees are represented by labor unions, and we believe that our custom carpentry companies have excellent relationships with their employees.

Regulation

Both facilities in Las Vegas are subject to the Clark County Department of Air Quality and the Nevada Department of Environmental Protection. Our facility in Reno is governed by the Washoe County Department of Health, while our facility in Boise, Idaho is subject to Idaho Department of Environmental Quality. Each of these agencies implement rules and regulations in connection with air quality, pollution and the protection of the environment, including those governing emissions to air, discharges to water, storage, treatment and disposal of waste, remediation of contaminated sites and protection of worker health and safety.

We believe that we are in substantial compliance with all applicable requirements. However, our efforts to comply with environmental requirements do not remove the risk that we may be held liable, or incur fines or penalties, and that the amount of liability, fines or penalties may be material, for, among other things, releases of hazardous substances occurring on or emanating from current or formerly owned or operated properties or any associated offsite disposal location, or for contamination discovered at any of our properties from activities conducted by previous occupants.

Permits are required for certain of our operations, and these permits are subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce compliance with their regulations, and violations may result in the payment of fines or the entry of injunctions, or both.

Changes in environmental laws and regulations or the discovery of previously unknown contamination or other liabilities relating to our properties and operations could result in significant environmental liabilities. In addition, we might incur significant capital and other costs to comply with increasingly stringent air emission control laws and enforcement policies which would decrease our cash flow.

AUTOMOTIVE SUPPLIES BUSINESS

Our automotive supplies business is operated by Wolo. This business accounted for approximately 2.4% and 23.9% of our total revenues for the years ended December 31, 2025 and 2024, respectively.

Overview

Our automotive supplies business is headquartered in Deer Park, New York and was founded in 1965. We design and sell horn and safety products (electric, air, truck, marine, motorcycle and industrial equipment),

and offer vehicle emergency and safety warning lights for cars, trucks, industrial equipment and emergency vehicles. Focused on the automotive and industrial after-market, we sell our products to big-box national retail chains, through specialty and industrial distributors, as well as online/mail order retailers and original equipment manufacturers, or OEMs.

Products

We design and sell a broad range of branded vehicle horns, warning lights, sirens, back-up alarms and accessories

Horns

We design and sell an innovative and extensive selection of electromechanical, air and electronic-speaker horns. The horns are used in many industries such as: heavy duty truck, motorcycle, marine, industrial and the automotive aftermarket. We also sell hand-held gas horns which can be used for sporting events, as well as marine, construction sites and outdoor activities.

Our top-selling product is the Bad Boy horn, which has a one-piece design that requires no hoses. It installs in minutes by simply transferring the vehicle’s factory horn wires to the compressor, and mounts with one bolt included in kit. The Bad Boy produces a powerful dual tone air horn sound that is two times louder than the factory horn. It is compact in size to fit any car, truck, motorcycle and any 12-volt vehicle that wants a loud air horn sound. A heavy-duty maintenance free compressor provides years of dependable service.

In the past three years, we have brought a number of new and innovative horn products to the markets to which we sell. Some highlights include:

- *Midnight Express.* A high-pressure truck train horn that is three trumpets, all metal and painted semi-gloss black. Train horns are purchased by the vehicle owner that wants the ultra-powerful sound of a train.

- *Quadraphonic Express.* Four metal trumpets that are triple chrome plated, produce an ultra-powerful train horn sound that will be heard and will dress-up the appearance of any vehicle.

- *Nexgen Express Train Horn.* A totally new design by us, a state-of-the-art fully electronic train horn, compact in size and produces more than 150-watts output. Engineered to fit into the engine compartment of cars, SUVs and even compact vehicles with a simple two wire hook-up, Nexgen offers two distinctive train horn sounds controlled by a wireless key fab.

- *Mighty Mo.* An industrial equipment horn designed to withstand off-road and construction site conditions, while being able to penetrate noisy environments and still be heard.

Compressor and Tank Systems

We also sell air compressor systems, consisting of air storage tanks, compressors and everything needed to hookup a high-pressure air horn. Two years ago, we started offering complete kits of train horns and choice of high-pressure air systems. Additionally, we offer replacement parts for all products.

Electric Sirens and Speakers

We have an array of emergency electronic sirens with built-in public address systems used by emergency responders.

Back-Up Alarms

We offer a variety of back-up alarm systems from basic beep-style horn sold in all aftermarket retailers, to hi-tech intelligent alarms that adjust audio output to be louder than surrounding ambient noise. Our Model BA-697 has three super bright 1-watt LEDs that flash while the vehicle is in reverse and the auditable warning sound is turned on. In addition, we have a selection of white noise "Psss Psss” sound alarms required in the state of California.

Warning Lights

We offer a large selection of warning lights for road assistance as well as emergency vehicles, construction, road safety and snow plowing vehicles. Warning lights come in a variety of types, sizes and shapes such as rotating, strobe and state-of-the-art LED models ranging in sizes from 8 inches to fifty-seven 57 inches. A recent addition to warning lights that has become an everyday bestseller for us is the new WATCHMAN®, which is a 24-inch magnet light bar that can be converted to permanent mounting in minutes with no special tools. Because of the products’ popularity, we designed a larger 48” version of the Watchman, which has seen very good acceptance in the market.

Another recent addition is Luminous, a high-performance, low profile linear light bar designed with the latest state-of-the-art electronic circuitry that has low power consumption and will provide years of reliable service. Luminous produces an intense beam of light which can be seen 360 degrees even in bright daylight. Available in three lengths in color amber, blue, red, green and any combination of colors. Luminous is certified SAE J845 Class 1 and California Title 13.

Manufacturing

Most of our manufacturing is outsourced to contract manufacturers in China and Taiwan. In-house assembly consists of changes to fully assembled products, as per custom orders. For example, converting the voltage of a horn for truck use, or the standard color of a particular warning light.

We have implemented a strict quality control program which is run by our warehouse/production manager. We believe that our high-quality standards assure customers that they are getting the best and most reliable products in the market. Our manufacturing operations are designed to allow low-cost production of a wide variety of products while maintaining a high level of customer service and quality.

We believe that our manufacturing facilities generally have sufficient capacity to meet our current business requirements and our currently anticipated sales.

Vendor/Supplier Relationships

We have developed long term relationships with contact manufacturers based in China and Taiwan. All materials are sourced by the contract manufacturers. The following table sets forth the vendors and suppliers that accounted for more than 10% of our purchases for the years ended December 31, 2025 and 2024:

Supplier	Product	Total Purchases 2025	Percent of Purchases 2025	Total Purchases 2024	Percent of Purchases 2024
Changzhou Wushi Electrical Equipment Factory	Horns	$ 51,437	25.0%	$ 182,017	10.4%
Ruian Jiani Auto Parts Co Ltd.	Horns	37,293	18.1%	198,863	11.4%
Zhongshan Yonglong Auto Lighting Co., Ltd	Warning Lights	34,747	16.6%	287,247	16.5%
Zhejiang Jiejia Automoble Parts Co., Ltd.	Horns	33,945	16.5%	64,489	3.7%
E-own Corporation	Warning Lights/Horns	7,897	3.8%	173,829	10.0%

We have established relationships with our vendors, with many of these relationships spanning more than 15 years. We implement vendor agreements with all our major accounts and some mid-size accounts. The typical length of a vendor agreement is 2-3 years, and in most cases automatically renew.

We have also established volume discounts with our suppliers which help to offset increased material, tariffs and increased labor costs domestically and overseas. With the unstable world market, we have carefully started to engage secondary suppliers to make sure we have no interruptions in the supply chain and to be sure we maintain a competitive price.

We believe that our strong relationships with suppliers yield high quality, competitive pricing and overall good service to our customers. Although we cannot be sure that our sources of supply will be adequate in all circumstances, we believe that we can develop alternate sources in a timely and cost-effective manner if our current sources become inadequate. Due to availability of numerous alternative suppliers, we do not believe that the loss of any single supplier would have a material adverse effect on our consolidated financial condition or results of operations. See Item 1A "*Risk Factors—Risks Related to Our Automotive Supply Business*” for a description of the risks related to our supplier relationships.

Sales and Marketing

Our sales team consists of a vice president of sales who coordinates with contracted sales representatives from thirteen regional sales companies in North America, Mexico, Puerto Rico, the U.K., Europe, the Middle East and the industrial aftermarket. The sales representative's agreement with us is limited to automotive, internet-based companies and occasionally motorcycle aftermarket distributors.

Sales representatives are responsible for the solicitation and development of new accounts, as well as working with existing customers to develop promotions and incentives for our products. We have had relationships with these regional sales companies for 13 to 15 years on-average. All major customers are serviced frequently by their sales representatives.

Our innovative retail product packaging design is also a highly effective marketing tool in direct-to-consumer selling. Featuring quick response (QR) barcode technology, customers are able to scan product packaging using their smart phone or mobile device to instantly see product information, watch demonstration videos, or even hear horn demos. There is no need for special in-store displays or additional shelf space as all information is accessible directly by scanning the product packaging. It is like having a virtual sales associate in-store. Packaging also features scan-back's, an instant rebate that is applied at the register upon checkout.

Additional marketing programs include in-store promotional programs for customers, e-commerce via our website, as well as email blasts and customer print catalogs. We mail print and/or electronic CD catalogs to established accounts every 18 months with new product information inserted via supplemental sell-sheets. New product launches and updates are also sent to customers via email blast periodically.

We exhibit at key industry and customer tradeshows and belongs to the National Marine Manufacturers Association and American Boat and Yacht Council.

Customers

We sell products to the automobile aftermarket, national retailers, direct-to-consumer, mail order, web-based retailers, public safety equipment wholesalers, industrial wholesalers, as well as the motorcycle and marine aftermarkets.

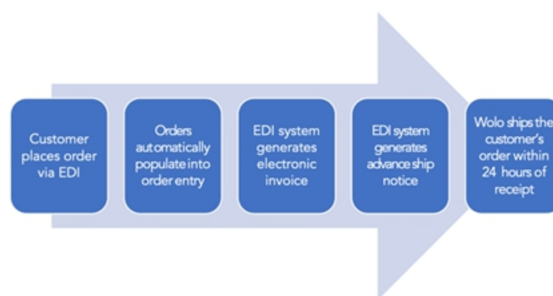
We have a diverse customer base, including Amazon, AutoZone, Advance Auto Parts, CarQuest, Aries, das, Grainger, and FleetFarm. Internationally, we sell products in Canada, Mexico, Europe, and Amsterdam. Most of our online customers such as Amazon ship direct internationally. A majority of our sales are made to repeat customers, with many of our customer relationships spanning more than 10 years. We believe that our customers appreciate the ease of doing business with all orders placed electronically via electronic data interchange, or EDI.

In recent years, we have entered into the motorcycle and industrial (fleet maintenance) aftermarkets, as well a product line of horns for the marine parts aftermarket.

Order Fulfillment

Our efficient fulfillment process uses an intergraded EDI system for receiving orders, advanced shipping notices and invoicing. The custom software is integral in reducing manual order entry, as well as the prevention of errors.

Implementing an EDI system has allowed us to improve our fulfillment threshold rate, as well as avoid fines from customers for order fulfillment errors and fill rate. The following diagram illustrates our order fulfillment process.



Competition

The sale of automotive aftermarket items is highly competitive in many areas, including customer service, product availability, store location, brand recognition and price. We believe that we have established our brand as an industry-leader in developing innovative products for the automobile aftermarket industry, especially in horn design and technology (electric, air, truck, marine, motorcycle and industrial equipment). Current competitors in related industries are FIAMM, Grote, Peterson Manufacturing Company, ECCO, Vixen Horns, HornBlasters and Kleinn.

Competitive Advantages

Based on management's belief and experience in the industry, we believe that the following competitive strengths enable us to compete effectively.

- *Established name and reputation*. We believe that we have maintained our excellent reputation in the industry for over 55 years through bringing exclusive products and designs to market to meet current and future needs.

- *Patents and trademarks*. We have been granted 37 patents from the U.S., China, Taiwan and the EU. About half of our patents are utility patents, which protect a products' methods of functionality. Utility patents are a difficult barrier for competitors to overcome, therefore these products have a higher profit margin. The other half of our patents are design patents.

- *Long-term supplier and customer relationships*. We have established relationships with our vendors, with many of these relationships spanning more than 15 years, and a majority of our sales are made to repeat customers, with many of our customer relationships spanning more than 10 years.

- *International licensing agreements*. We have a licensing agreement with a large wholesale supplier of auto parts in the U.K. for our patented Bad Boy Horn. The U.K. supplier also has retail chain stores and this agreement has been generating year-over-year sales growth for us.

Growth Strategies

Management sees the below as the key initiatives for our continued growth strategy:

- *Increase sales through new products and online marketing*. We are aggressively pursuing our current market share and building sales by adding new products to existing accounts. Additionally, we will continue to expand our online sales platforms which include Wolo-mfg.com, Wolo-USA.com, Autozone.com, Amazon.com, BestAutoAccessories.com and Autoaccessoriesgarage.com, among others. There also exists significant growth potential in the purchasing of available key URL's and implementing enhanced search engine optimization strategies.

- *Expand into traditional market and original equipment replacement horns.* The automotive aftermarket has multiple channels of distribution, and one in which we have limited distribution is the traditional channel. This channel distributes products through wholesale warehouse distributors such as Federated Auto Parts, Pronto Auto Parts, Bumper-To-Bumper and Auto Value. Traditional distribution primarily services the DIFM (Do-It-For-Me) or professional installers. Most of the products sold are direct original equipment replacement parts which are researched based on year/make/model of the vehicle needing parts. We have limited distribution into the traditional channel, primarily due to the fact that there are no original equipment replacement horns in our product offerings. We believe that with minor product enhancements, we can offer products to serve this channel and improve market share into the traditional channel.

- *Expand into growing international markets*. Currently, we sell our products in the US, Canada, Mexico, Europe and the Middle East. We believe that there is great growth opportunity in Mexico. Additionally, we have identified Canada and the Netherlands as expansion markets specifically for our Motorcycle Air Horn.

- *Additional focus on the municipal and public safety markets*. We have identified a significant demand for certified warning lights within the municipal and public safety markets. The certification of existing products is immediately possible and very cost effective.

- *Grow presence within the marine marketplace*. We see immediate growth opportunities existing within the marine market with certified horns that meet US Coast Guard regulations and other regulatory standards.

Intellectual Property

We have been granted 37 patents from the United States, China, Taiwan and the EU. About half of our patents are utility patents, which protect a product's methods of functionality. Utility patents are a difficult barrier for competitors to overcome, therefore these products have a higher profit margin. The other half of our patents are design patents.

We have trademarks registered in the United States and various countries for some of our core properties, including Taiwan, amongst others.

Our intellectual property, including patents, trademarks, service marks, domain names, copyrights and trade secrets, is an important part of our business. To protect our intellectual property, we rely on a combination of laws and regulations, in addition to intellectual property rights in the United States and other jurisdictions, including patents, trademarks, copyrights, and trade secret laws, together with contractual provisions and technical measures that we have implemented. To protect our trade secrets, we maintain strict control access to our proprietary systems and technology. We also enter into confidentiality and invention assignment agreements with employees and consultants, as well as confidentiality and non-disclosure agreements with third parties that provide products and services to us.

Employees

As of December 31, 2025, we employed two full-time employees. None of our employees are represented by labor unions, and we believe that we have an excellent relationship with our employees.

Regulation

We are subject to various federal, state, and local laws and governmental regulations relating to the operation of our business, including those related to labor and employment, discrimination, anti-bribery/anti-corruption, product quality and safety standards, data privacy and taxes. Compliance with any such laws and regulations has not had a material adverse effect on our operations to date.

ITEM 1A. RISK FACTORS.

An investment in our securities involves a high degree of risk. You should carefully read and consider all of the risks described below, together with all of the other information contained or referred to in this report, before making an investment decision with respect to our securities. If any of the following events occur, our financial condition, business and results of operations (including cash flows) may be materially adversely affected. In that event, the market price of our shares could decline, and you could lose all or part of your investment.

Risks Related to Our Business and Structure

Our auditors have issued a going concern opinion on our audited financial statements.

The report of our independent registered public accounting firm that accompanies our financial statements for the year ended December 31, 2025 contains a going concern qualification in which such firm expressed substantial doubt about our ability to continue as a going concern, based on the financial statements at that time. As of December 31, 2025, we had cash and cash equivalents of $1,987,301, an accumulated deficit of $109,599,852, and a working capital deficit of $43,065,927. For the year then ended, we generated operating income of $3,981,712 and net cash provided by operating activities of $3,359,054.

Notwithstanding current-year operating income and positive operating cash flows, we do not expect to have sufficient cash and other liquid resources to meet our obligations as they become due over the next twelve months, primarily due to the magnitude of our current liabilities and significant near-term debt maturities. These conditions, considered in the aggregate, raise substantial doubt about our company's ability to continue as a going concern within one year after the date our consolidated financial statements are issued.

Management plans to address these conditions by securing additional capital through debt and equity financing, including potential public and private offerings of our securities, evaluating opportunities to refinance or extend the maturity of existing debt obligations, implementing reductions in discretionary operating expenditures to the extent practicable, and exploring strategic alternatives with respect to its operating subsidiaries to reduce debt obligations. Management has evaluated whether it is probable that these plans would be effectively implemented and, if so, whether they would mitigate the relevant conditions or events that raise substantial doubt within the next twelve months. Because these plans are subject to market conditions and reliance on third parties, and because there is no assurance that we will be able to raise capital on acceptable terms or at all, management has concluded that substantial doubt about our company's ability to continue as a going concern has not been alleviated as of the date our consolidated financial statements are issued.

Our consolidated financial statements have been prepared assuming our company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Our consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amounts and classification of liabilities that might result should we be unable to continue as a going concern. If we are unable to obtain adequate capital, we could be forced to cease or curtail our operations. If we cannot continue as a going concern, our shareholders would likely lose most or all of their investment in us.

We may not be able to effectively integrate the businesses that we acquire.

Our ability to realize the anticipated benefits of acquisitions will depend on our ability to integrate those businesses with our own. The combination of multiple independent businesses is a complex, costly and time-consuming process and there can be no assurance that we will be able to successfully integrate businesses into our business, or if such integration is successfully accomplished, that such integration will not be costlier or take longer than presently contemplated. Integration of future acquisitions may include various risks and uncertainties, including the factors discussed in the paragraph below. If we cannot successfully integrate and manage the businesses within a reasonable time, we may not be able to realize the potential and anticipated benefits of such acquisitions, which could have a material adverse effect on our share price, business, cash flows, results of operations and financial position.

We will consider other acquisitions that we believe will complement, strengthen and enhance our growth. We evaluate opportunities on a preliminary basis from time to time, but these transactions may not advance beyond the preliminary stages or be completed. Such acquisitions are subject to various risks and uncertainties, including:

- the inability to integrate effectively the operations, products, technologies and personnel of the acquired companies (some of which are in diverse geographic regions) and achieve expected synergies;

- the potential disruption of existing business and diversion of management's attention from day-to-day operations;

- the inability to maintain uniform standards, controls, procedures and policies;

- the need or obligation to divest portions of the acquired companies;

- the potential failure to identify material problems and liabilities during due diligence review of acquisition targets;

- the potential failure to obtain sufficient indemnification rights to fully offset possible liabilities associated with acquired businesses; and

- the challenges associated with operating in new geographic regions.

Our future success is dependent on the employees of our manager, our manager's operating partners and the management team of our business, the loss of any of whom could materially adversely affect our financial condition, business and results of operations.

Our future success depends, to a significant extent, on the continued services of the employees of our manager. The loss of their services may materially adversely affect our ability to manage the operations of our businesses. The employees of our manager may leave our manager and go to companies that compete with us in the future. In addition, we depend on the assistance provided by our manager's operating partners in evaluating, performing diligence on and managing our businesses. The loss of any employees of our manager or any of our manager's operating partners may materially adversely affect our ability to implement or maintain our management strategy or our acquisition strategy.

The future success of our existing and future businesses also depends on the respective management teams of those businesses because we intend to operate our businesses on a stand-alone basis, primarily relying on their existing management teams for day-to-day operations. Consequently, their operational success, as well as the success of any organic growth strategy, will be dependent on the continuing efforts of the management teams of our businesses. We will seek to provide these individuals with equity incentives and to have employment agreements with certain persons we have identified as key to their businesses. However, these measures may not prevent these individuals from leaving their employment. The loss of services of one or more of these individuals may materially adversely affect our financial condition, business and results of operations.

We may experience difficulty as we evaluate, acquire and integrate businesses that we may acquire, which could result in drains on our resources, including the attention of our management, and disruptions of our on-going business.

We acquire small businesses in various industries. Generally, because such businesses are privately held, we may experience difficulty in evaluating potential target businesses as much of the information concerning these businesses is not publicly available. Therefore, our estimates and assumptions used to evaluate the operations, management and market risks with respect to potential target businesses may be subject to various risks and uncertainties. Further, the time and costs associated with identifying and evaluating potential target businesses and their industries may cause a substantial drain on our resources and may divert our management team's attention away from the operations of our businesses for significant periods of time.

In addition, we may have difficulty effectively integrating and managing acquisitions. The management or improvement of businesses we acquire may be hindered by a number of factors, including limitations in the standards, controls, procedures and policies implemented in connection with such acquisitions. Further, the management of an acquired business may involve a substantial reorganization of the business' operations resulting in the loss of employees and customers or the disruption of our ongoing businesses. We may experience greater than expected costs or difficulties relating to an acquisition, in which case, we might not achieve the anticipated returns from any particular acquisition.

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.

We have been formed to acquire and manage small businesses. In pursuing such acquisitions, we expect to face strong competition from a wide range of other potential purchasers. Although the pool of potential purchasers for such businesses is typically smaller than for larger businesses, those potential purchasers can be aggressive in their approach to acquiring such businesses. Furthermore, we expect that 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 fair or appropriate. Alternatively, we may determine that we cannot pursue on a cost-effective basis what would otherwise be an attractive acquisition opportunity.

We may not be able to successfully fund acquisitions due to the unavailability of debt or equity financing on acceptable terms, which could impede the implementation of our acquisition strategy.

In order to make acquisitions, we intend to raise capital primarily through debt financing, primarily at our operating company level, additional equity offerings, the sale of equity or assets of our businesses, offering equity in our company or our businesses to the sellers of target businesses or by undertaking a combination of any of the above. Because the timing and size of acquisitions cannot be readily predicted, we may need to be able to obtain funding on short notice to benefit fully from attractive acquisition opportunities. Such funding may not be available on acceptable terms. In addition, the level of our indebtedness may impact our ability to borrow at our company level. The sale of additional shares of any class of equity will also be subject to market conditions and investor demand for such shares at prices that may not be in the best interest of our shareholders. These risks may materially adversely affect our ability to pursue our acquisition strategy.

We may change our management and acquisition strategies without the consent of our shareholders, which may result in a determination by us to pursue riskier business activities.

We may change our strategy at any time without the consent of our shareholders, which may result in our acquiring businesses or assets that are different from, and possibly riskier than, the strategy described in this report. A change in our strategy may increase our exposure to interest rate and currency fluctuations, subject us to regulation under the Investment Company Act of 1940, as amended, or the Investment Company Act, or subject us to other risks and uncertainties that affect our operations and profitability.

If we are unable to generate sufficient cash flow from the anticipated dividends and interest payments that we expect to receive from our businesses, we may not be able to make distributions to our shareholders.

Our primary business is the holding and managing of controlling interests in our operating businesses. Therefore, we will be dependent upon the ability of our businesses to generate cash flows and, in turn, distribute cash to us in the form of interest and principal payments on indebtedness and distributions on equity to enable us, first, to satisfy our financial obligations and, second, to make distributions to our common shareholders. The ability of our businesses to make payments to us may also be subject to limitations under the laws of the jurisdictions in which they are incorporated or organized. If, as a consequence of these various restrictions or otherwise, we are unable to generate sufficient cash flow from our businesses, we may not be able to declare, or may have to delay or cancel payment of, distributions to our common shareholders.

In addition, the put price and profit allocation will be payment obligations and, as a result, will be senior in right to the payment of any distributions to our shareholders. Further, we are required to make a profit allocation to our manager upon satisfaction of applicable conditions to payment. See Item 1 "*Business—Our Manager—Our Manager as an Equity Holder*" for more information about our manager's put right and profit allocation.

Our loans with third parties contain certain terms that could materially adversely affect our financial condition.

We and our subsidiaries are parties to certain loans with third parties, which are secured by the assets of our subsidiaries. The loans agreements contain customary representations, warranties and affirmative and negative financial and other covenants. If an event of default were to occur under any of these loans, the lender thereto may pursue all remedies available to it, including declaring the obligations under its respective loan immediately due and payable, which could materially adversely affect our financial condition. See Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" for further discussion regarding our borrowing activities.

In the future, we may seek to enter into other credit facilities to help fund our acquisition capital and working capital needs. These credit facilities may expose us to additional risks associated with leverage and may inhibit our operating flexibility and reduce cash flow available for payment of distributions to our shareholders.

We may seek to enter into other credit facilities with third-party lenders to help fund our acquisitions. Such credit facilities will likely require us to pay a commitment fee on the undrawn amount and will likely contain a number of affirmative and restrictive covenants.

If we violate any such covenants, our lenders could accelerate the maturity of any debt outstanding and we may be prohibited from making any distributions to our shareholders. Such debt may be secured by our assets, including the stock we may own in businesses that we acquire and the rights we have under intercompany loan agreements that we may enter into with our businesses. Our ability to meet our debt service obligations may be affected by events beyond our control and will depend primarily upon cash produced by businesses that we currently manage and may acquire in the future and distributed or paid to us. Any failure to comply with the terms of our indebtedness may have a material adverse effect on our financial condition.

In addition, we expect that such credit facilities will bear interest at floating rates which will generally change as interest rates change. We will bear the risk that the rates that we are charged by our lenders will increase faster than we can grow the cash flow from our businesses or businesses that we may acquire in the future, which could reduce profitability, materially adversely affect our ability to service our debt, cause us to breach covenants contained in our third-party credit facilities and reduce cash flow available for distribution.

We may engage in a business transaction with one or more target businesses that have relationships with our executive officers, our directors, our manager, our manager's employees or our manager's operating partners, or any of their respective affiliates, which may create or present conflicts of interest.

We may decide to engage in a business transaction with one or more target businesses with which our executive officers, our directors, our manager, our manager's employees, our manager's operating partners, or

any of their respective affiliates, have a relationship, which may create or present conflicts of interest. Regardless of whether we obtain a fairness opinion from an independent investment banking firm with respect to such a transaction, conflicts of interest may still exist with respect to a particular acquisition and, as a result, the terms of the acquisition of a target business may not be as advantageous to our shareholders as it would have been absent any conflicts of interest.

The operational objectives and business plans of our businesses may conflict with our operational and business objectives or with the plans and objective of another business we own and operate.

Our businesses operate in different industries and face different risks and opportunities depending on market and economic conditions in their respective industries and regions. A business' operational objectives and business plans may not be similar to our objectives and plans or the objectives and plans of another business that we own and operate. This could create competing demands for resources, such as management attention and funding needed for operations or acquisitions, in the future.

If, in the future, we cease to control and operate our businesses or other businesses that we acquire in the future or engage in certain other activities, we may be deemed to be an investment company under the Investment Company Act.

We have the ability to make investments in businesses that we will not operate or control. If we make significant investments in businesses that we do not operate or control, or that we cease to operate or control, or if we commence certain investment-related activities, we may be deemed to be an investment company under the Investment Company Act. Our decision to sell a business will be based upon financial, operating and other considerations rather than a plan to complete a sale of a business within any specific time frame. If we were deemed to be an investment company, we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC or modify our investments or organizational structure or our contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially adversely affect our financial condition, business and results of operations, materially limit our ability to borrow funds or engage in other transactions involving leverage and require us to add directors who are independent of us or our manager and otherwise will subject us to additional regulation that will be costly and time-consuming.

We have identified material weaknesses in our internal control over financial reporting. If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results and prevent fraud. As a result, current and potential shareholders could lose confidence in our financial statements, which would harm the trading price of our common shares.

Companies that file reports with the SEC, including us, are subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404. SOX 404 requires management to establish and maintain a system of internal control over financial reporting and annual reports on Form 10-K filed under the Securities Exchange Act of 1934, as amended, or the Exchange Act, to contain a report from management assessing the effectiveness of a company's internal control over financial reporting. Separately, under SOX 404, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, public companies that are large accelerated filers or accelerated filers must include in their annual reports on Form 10-K an attestation report of their regular auditors attesting to and reporting on management's assessment of internal control over financial reporting. Non-accelerated filers and smaller reporting companies, like us, are not required to include an attestation report of their auditors in annual reports.

A report of our management is included under Item 9A. "*Controls and Procedures.*" We are a smaller reporting company and, consequently, are not required to include an attestation report of our auditor in our annual report. However, if and when we become subject to the auditor attestation requirements under SOX 404, we can provide no assurance that we will receive a positive attestation from our independent auditors.

During its evaluation of the effectiveness of internal control over financial reporting as of December 31, 2025, management identified material weaknesses as described under Item 9A. "*Controls and Procedures.*" We are undertaking remedial measures, which measures will take time to implement and test, to address these material weaknesses. There can be no assurance that such measures will be sufficient to remedy the material weaknesses identified or that additional material weaknesses or other control or significant deficiencies will not be identified in the future. If we continue to experience material weaknesses in our internal controls or fail to maintain or implement required new or improved controls, such circumstances could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements, or adversely affect the results of periodic management evaluations and, if required, annual auditor attestation reports. Each of the foregoing results could cause investors to lose confidence in our reported financial information and lead to a decline in our share price.

Risks Related to Our Construction Business

The loss of any of our key customers could have a materially adverse effect on our results of operations.

Historically, a few long-term recurring contractor customers have accounted for a majority of our revenues. There can be no assurance that we will maintain or improve the relationships with those customers. Our major customers often change each period based on when a given order is placed. If we cannot maintain long-term relationships with major customers or replace major customers from period to period with equivalent customers, the loss of such sales could have an adverse effect on our business, financial condition and results of operations.

Our business primarily relies on U.S. home improvement, repair and remodel and new home construction activity levels, all of which are impacted by risks associated with fluctuations in the housing market. Downward changes in the general economy, the housing market or other business conditions could adversely affect our results of operations, cash flows and financial condition.

Our business primarily relies on home improvement, repair and remodel and new home construction activity levels in the United States. The housing market is sensitive to changes in economic conditions and other factors, such as the level of employment, access to labor, consumer confidence, consumer income, availability of financing and interest rate levels. Adverse changes in any of these conditions generally, or in any of the markets where we operate, including due to the global pandemic, could decrease demand and could adversely impact our businesses by: causing consumers to delay or decrease homeownership; making consumers more price conscious resulting in a shift in demand to smaller, less expensive homes; making consumers more reluctant to make investments in their existing homes, including large kitchen and bath repair and remodel projects; or making it more difficult to secure loans for major renovations.

Increases in interest rates and the reduced availability of financing for home improvements may cause our sales and profitability to decrease.

In general, demand for home improvement products may be adversely affected by increases in interest rates and the reduced availability of financing. Also, trends in the financial industry which influence the requirements used by lenders to evaluate potential buyers can result in reduced availability of financing. If interest rates or lending requirements increase and consequently, the ability of prospective buyers to finance purchases of home improvement products is adversely affected, our business, financial condition and results of operations may also be adversely impacted and the impact may be material.

Our construction business is subject to seasonal and other periodic fluctuations, and affected by factors beyond our control, which may cause our sales and operating results to fluctuate significantly.

Our construction business is subject to seasonal fluctuations. We believe that we can more effectively control and balance our direct labor resources and costs during seasonal variations in our construction business, depending on the dynamics of the market served. However, extreme winter weather conditions can have an adverse effect on appointments and installations, which typically occur during our fourth and first quarters and can also negatively affect our net sales and operating results. In addition, sales and revenues may decline in the fourth quarter due to the holiday season.

Difficulties in recruiting adequate personnel may have a material adverse effect on our ability to meet our growth expectations.

In order to fulfill our growth expectations, we must recruit, hire, train and retain qualified sales and installation personnel. In particular, during the pandemic, we may experience greater difficulty in fulfilling our personnel needs since our employees are not able to work remotely for installations. When new construction and remodeling are on the rise, recruiting independent contractors to perform our installations becomes more difficult. There can be no assurance that we will have sufficient contractors or employees to fulfill our installation requirements. Our inability to fulfill our personnel needs could have a material adverse effect on our ability to meet our growth expectations.

Increases in the cost of labor, union organizing activity and work stoppages at our facilities or the facilities of our suppliers could materially affect our financial performance.

Our business is labor intensive, and, as a result, our financial performance is affected by the availability of qualified personnel and the cost of labor. Currently, none of our employees are represented by labor unions. Strikes or other types of conflicts with personnel could arise or we may become a target for union organizing activity. Some of our direct and indirect suppliers have unionized workforces. Strikes, work stoppages or slowdowns experienced by these suppliers could result in slowdowns or closures of facilities where components of our products are manufactured. Any interruption in the production of our products could reduce sales of our products and increase our costs.

In the event of a catastrophic loss of our key manufacturing facility, our business would be adversely affected.

While we maintain insurance covering our facility, including business interruption insurance, a catastrophic loss of the use of all or a portion of our manufacturing facility due to accident, labor issues, weather conditions, natural disaster or otherwise, whether short or long-term, could have a material adverse effect on us.

The nature of our constructions business exposes us to product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract and other claims and legal proceedings.

We are subject to product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract and other claims and legal proceedings relating to the products we install or manufacture that, if adversely determined, could adversely affect our financial condition, results of operations and cash flows. We rely on manufacturers and other suppliers to provide us with most of the products we install. Other than for products manufactured by Kyle's and the custom work at CMD, we generally do not have direct control over the quality of such products manufactured or supplied by such third-party suppliers. As such, we are exposed to risks relating to the quality of such products. In the event that any of our products prove to be defective, we may be required to recall or redesign such products, which would result in significant unexpected costs.

We are also exposed to potential claims arising from the conduct of our employees and contractors, for which we may be contractually liable. We have in the past been, and may in the future be, subject to penalties and other liabilities in connection with injury or damage incurred in conjunction with the installation of our products.

In addition, our contracts, particularly those with large single-family and multi-family homebuilders, contain certain performance and installation schedule requirements. Many factors, some of which our outside of our control, may affect our ability to meet these requirements, including shortages of material or skilled labor, unforeseen engineering problems, work stoppages, weather interference, floods, unanticipated cost increases, and legal or political challenges. If we do not meet these requirements, we may be subject to liquidated damages or other penalties, as well as claims for breach of contract.

Product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract and other claims and legal proceedings can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. In addition, lawsuits relating to construction defects typically have statutes of limitations that can run as long as ten years. Claims of this nature could also have a negative impact on customer confidence in us and our services. Although we currently maintain what we believe to be suitable and adequate insurance, we may be unable to maintain such insurance on acceptable terms or such insurance may not provide adequate protection against potential liabilities. In addition, some liabilities may not be covered by our insurance. Current or future claims could have a material adverse effect on our reputation, business, financial condition and results of operations.

If we are unable to compete successfully with our competitors, our financial condition and results of operations may be harmed.

We operate in a highly fragmented and very competitive industry. Our competitors include national and local door, trim, and carpentry manufacturers. These can be large, consolidated operations which house their manufacturing facilities in large and efficient plants, as well as relatively small, local cabinetmakers. Although we believe that we have superior name and reputation of direct marketing of custom designed carpentry, doors and millwork, we compete with numerous competitors in our primary markets in which we operate, with reputation, price, workmanship and services being the principal competitive factors. Some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate. Some of our competitors have greater resources available and are less highly leveraged, which may provide them with greater financial flexibility. We also compete against retail chains, including Sears, Costco, Builders Square, Sam's Warehouse Club and other stores, which offer similar products and services through licensees. We compete, to a lesser extent, with small home improvement contractors and with large "home center" retailers such as Home Depot and Lowes. As a result of the implementation of our business strategy to conduct more remodel, condo/multi-family, and commercial projects in the new construction markets, we anticipate that we will compete to a greater degree with large "home center" retailers. To remain competitive, we will need to invest continuously in manufacturing, customer service and support, marketing and our dealer network. We may have to adjust the prices of some of our products to stay competitive, which would reduce our revenues or harm our financial condition and results of operations. We may not have sufficient resources to continue to make such investments or maintain our competitive position within each of the markets we serve.

We have historically depended on a limited number of third parties to supply key finished goods and raw materials to us. Failure to obtain a sufficient supply of these finished goods and raw materials in a timely fashion and at reasonable costs could significantly delay our delivery of products, which would cause us to breach our sales contracts with our customers.

We have historically purchased certain key finished goods and raw materials, such as pre-manufactured doors, cabinets, countertops, lumber and hardware, from a limited number of suppliers. We purchased finished goods and raw materials on the basis of purchase orders. In the absence of firm and long-term contracts, we may not be able to obtain a sufficient supply of these finished goods and raw materials from our existing suppliers or alternates in a timely fashion or at a reasonable cost. If we fail to secure a sufficient supply of key finished goods and raw materials in a timely fashion, it would result in a significant delay in our delivery of products, which may cause us to breach our sales contracts with our customers. Furthermore, failure to obtain a sufficient supply of these finished goods and raw materials at a reasonable cost could also harm our revenue and gross profit margins.

Increased prices for finished goods or raw materials could increase our cost of revenues and decrease demand for our products, which could adversely affect our revenue or profitability.

Our profitability is affected by the prices of the finished goods and raw materials used in the manufacturing and sale of our products. These prices may fluctuate based on a number of factors beyond our control, including, among others, changes in supply and demand, general economic conditions, labor costs, competition, import duties, tariffs, currency exchange rates and, in some cases, government regulation. Increased prices could adversely affect our profitability or revenues. We do not have long-term supply contracts for finished goods and raw materials; however, we enter into pricing agreements with certain customers which fix their pricing for specified periods ranging from one to twelve months. Significant increases in the prices of finished goods and raw materials could adversely affect our profit margins, especially if we are not able to recover these costs by increasing the prices we charge our customers for our products.

Changes to U.S. trade policy, tariff and import/export regulations may adversely affect our operating results.

The United States has recently enacted and/or proposed to enact significant new tariffs on goods imported from numerous countries, including China, Mexico and Canada. Additionally, President Trump has directed various federal agencies to further evaluate key aspects of U.S. trade policy and there has been ongoing discussion and commentary regarding potential significant changes to U.S. trade policies, treaties and tariffs. There continues to exist significant uncertainty about the future relationship between the U.S. and other countries with respect to such trade policies, treaties and tariffs.

While CMD and Kyle's purchase most of their materials from domestic suppliers, much of the wood used in such materials originates from Canada. ICD purchases products from South Vietnam. If the U.S. continues to impose new tariffs, this may cause supply chain disruptions and could further escalate our costs. We may determine to increase our sales prices in order to pass these increased costs to our customers. Kyle's has a short lead-time (30 days) and bids projects based on material costs, lowering the risk to profitability. CMD has a longer lead-time (6 to 24 months) and has allowances in its contracts for change-orders if costs increase, allowing for CMD to recover most of the cost increases created by economic factors. However, in the event we determine to pass increased costs to our customers, our customers may reduce their orders from us, which could negatively affect our business, profitability and operating results. We are closely monitoring these developments and evaluating strategies to mitigate potential impacts.

Furthermore, as a result of policy changes and government proposals, there may be greater restrictions and economic disincentives on international trade in general. The new tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries, and foreign governments have instituted or are considering imposing trade sanctions on U.S. goods. Such changes have the potential to adversely impact the U.S. economy or sectors thereof, our industry and the demand for our products, and as a result, could have a negative impact on our business, financial condition and results of operations.

Interruptions in deliveries of finished goods and raw materials could adversely affect our revenue or profitability.

Our dependency upon regular deliveries from particular suppliers means that interruptions or stoppages in such deliveries could adversely affect our operations until arrangements with alternate suppliers could be made. If any of our suppliers were unable to deliver finished goods and raw materials to us for an extended period of time, as the result of financial difficulties, catastrophic events affecting their facilities or other factors beyond our control, or if we were unable to negotiate acceptable terms for the supply of finished goods and raw materials with these or alternative suppliers, our business could suffer. We may not be able to find acceptable alternatives, and any such alternatives could result in increased costs for us. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to our business. Extended unavailability of a necessary finished good or raw material could cause us to cease manufacturing or selling one or more of our products for a period of time.

Environmental requirements applicable to our facilities may impose significant environmental compliance costs and liabilities, which would adversely affect our results of operations.

Our facilities are subject to numerous federal, state and local laws and regulations relating to pollution and the protection of the environment, including those governing air emissions, discharges to water, storage, treatment and disposal of waste, remediation of contaminated sites and protection of worker health and safety. We believe we are in substantial compliance with all applicable requirements. However, our efforts to comply with environmental requirements do not remove the risk that we may be held liable, or incur fines or penalties, and that the amount of liability, fines or penalties may be material, for, among other things, releases of hazardous substances occurring on or emanating from current or formerly owned or operated properties or any associated offsite disposal location, or for contamination discovered at any of our properties from activities conducted by previous occupants.

Changes in environmental laws and regulations or the discovery of previously unknown contamination or other liabilities relating to our properties and operations could result in significant environmental liabilities. In addition, we might incur significant capital and other costs to comply with increasingly stringent air emission control laws and enforcement policies which would decrease our cash flow.

We may fail to fully realize the anticipated benefits of our growth strategy within the multi-family, tract home, and commercial properties channels.

Part of our growth strategy depends on expanding our business in the multi-family and commercial properties channels. We may fail to compete successfully against other companies that are already established providers within those channels. Demand for our products within the multi-family, tract home, and commercial properties channels may not grow, or might even decline. In addition, trends within the industry change often, we may not accurately gauge consumer preferences and successfully develop, manufacture and market our products. Our failure to anticipate, identify or react to changes in these trends could lead to, among

other things, rejection of a new product line, reduced demand and price reductions for our products, and could adversely affect our sales. Further, the implementation of our growth strategy may place additional demands on our administrative, operational and financial resources and may divert management's attention away from our existing business and increase the demands on our financial systems and controls. If our management is unable to effectively manage growth, our business, financial condition or results of operations could be adversely affected. If our growth strategy is not successful then our revenue and earnings may not grow as anticipated or may decline, we may not be profitable, or our reputation and brand may be damaged. In addition, we may change our financial strategy or other components of our overall business strategy if we believe our current strategy is not effective, if our business or markets change, or for other reasons, which may cause fluctuations in our financial results.

Risks Related to Our Automotive Supply Business

If we fail to offer a broad selection of products at competitive prices or fail to maintain sufficient inventory to meet customer demands, our revenue could decline.

In order to expand our business, we must successfully offer, on a continuous basis, a broad selection of products that meet the needs of our customers, including by being the first to market with new products. In addition, to be successful, our product offerings must be broad and deep in scope, competitively priced, well-made, innovative and attractive to a wide range of consumers. We cannot predict with certainty that we will be successful in offering products that meet all of these requirements. Moreover, even if we offer a broad selection of products at competitive prices, we must maintain sufficient in-stock inventory to meet consumer demand. If our product offerings fail to satisfy our customers' requirements or respond to changes in customer preferences or we otherwise fail to maintain sufficient in-stock inventory, our revenue could decline.

We are highly dependent upon key suppliers and an interruption in such relationships or our ability to obtain products from such suppliers could adversely affect our business and results of operations.

In 2025 and 2024, Wolo purchased a substantial portion of finished goods from five third-party vendors which comprised 80.1% and 52.0% of its purchases, respectively. Our ability to acquire products from our suppliers in amounts and on terms acceptable to us is dependent upon a number of factors that could affect our suppliers and which are beyond our control. For example, financial or operational difficulties that some of our suppliers may face could result in an increase in the cost of the products we purchase from them. If we do not maintain our relationships with our existing suppliers or develop relationships with new suppliers on acceptable commercial terms, we may not be able to continue to offer a broad selection of merchandise at competitive prices and, as a result, we could lose customers and our sales could decline.

We also have limited control over the products that our suppliers purchase or keep in stock. Our suppliers may not accurately forecast the products that will be in high demand or they may allocate popular products to other resellers, resulting in the unavailability of certain products for delivery to our customers. Any inability to offer a broad array of products at competitive prices and any failure to deliver those products to our customers in a timely and accurate manner may damage our reputation and brand and could cause us to lose customers and our sales could decline.

In addition, the increasing consolidation among auto parts suppliers may disrupt or end our relationship with some suppliers, result in product shortages and/or lead to less competition and, consequently, higher prices. Furthermore, as part of our routine business, suppliers extend credit to us in connection with our purchase of their products. In the future, our suppliers may limit the amount of credit they are willing to extend to us in connection with our purchase of their products. If this were to occur, it could impair our ability to acquire the types and quantities of products that we desire from the applicable suppliers on acceptable terms, severely impact our liquidity and capital resources, limit our ability to operate our business and could have a material adverse effect on our financial condition and results of operations.

We are dependent upon relationships with manufacturers in Taiwan and China, which exposes us to complex regulatory regimes and logistical challenges.

Most of our manufacturing is outsourced to contract manufacturers in China and Taiwan, resulting in additional factors could interrupt our relationships or affect our ability to acquire the necessary products on acceptable terms, including:

- political, social and economic instability and the risk of war or other international incidents in Asia or abroad;
- fluctuations in foreign currency exchange rates that may increase our cost of products;
- imposition of duties, taxes, tariffs or other charges on imports;
- difficulties in complying with import and export laws, regulatory requirements and restrictions;
- natural disasters and public health emergencies, such as the recent COVID-19 pandemic;
- import shipping delays resulting from foreign or domestic labor shortages, slow-downs, or stoppage; and
- the failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property;
- imposition of new legislation relating to import quotas or other restrictions that may limit the quantity of our products that may be imported into the U.S. from countries or regions where we do business;
- financial or political instability in any of the countries in which our products are manufactured;
- potential recalls or cancellations of orders for any products that do not meet our quality standards;
- disruption of imports by labor disputes or strikes and local business practices;
- political or military conflict involving the U.S. or any country in which our suppliers are located, which could cause a delay in the transportation of our products, an increase in transportation costs and additional risk to products being damaged and delivered on time;
- heightened terrorism security concerns, which could subject imported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods;
- inability of our non-U.S. suppliers to obtain adequate credit or access liquidity to finance their operations; and
- our ability to enforce any agreements with our foreign suppliers.

If we were unable to import products from China and Taiwan or were unable to import products from China and Taiwan in a cost-effective manner, we could suffer irreparable harm to our business and be required to significantly curtail our operations, file for bankruptcy or cease operations.

From time to time, we may also have to resort to administrative and court proceedings to enforce our legal rights with foreign suppliers. However, it may be more difficult to evaluate the level of legal protection we enjoy in Taiwan and China and the corresponding outcome of any administrative or court proceedings than in comparison to our suppliers in the United States.

Changes to U.S. trade policy, tariff and import/export regulations may adversely affect our operating results.

The United States has recently enacted and/or proposed to enact significant new tariffs on goods imported from numerous countries, including China, and most recently, the Trump Administration announced a 25% tariff on imports of automobiles and auto parts. Additionally, President Trump has directed various federal agencies to further evaluate key aspects of U.S. trade policy and there has been ongoing discussion and commentary regarding potential significant changes to U.S. trade policies, treaties and tariffs. There continues to exist significant uncertainty about the future relationship between the U.S. and other countries with respect to such trade policies, treaties and tariffs.

Approximately 90% of our vendor base is located in China. If the U.S. continues to impose new tariffs, this may cause supply chain disruptions and could further escalate our costs. We may determine to increase our sales prices in order to pass these increased costs to our customers. In the event we determine to pass increased costs to our customers, our customers may reduce their orders from us, which could negatively affect our business, profitability and operating results. We are closely monitoring these developments and evaluating strategies to mitigate potential impacts.

Furthermore, as a result of policy changes and government proposals, there may be greater restrictions and economic disincentives on international trade in general. The new tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries, and foreign governments have instituted or are considering imposing trade sanctions on U.S. goods. Such changes have the potential to adversely impact the U.S. economy or sectors thereof, our industry and the demand for our products, and as a result, could have a negative impact on our business, financial condition and results of operations.

We depend on third-party delivery services, for both inbound and outbound shipping, to deliver our products to our distribution centers and subsequently to our customers on a timely and consistent basis, and any deterioration in our relationship with any one of these third parties or increases in the fees that they charge could harm our reputation and adversely affect our business and financial condition.

We rely on third parties for the shipment of our products, both inbound and outbound shipping logistics, and we cannot be sure that these relationships will continue on terms favorable to us, or at all. Shipping costs have increased from time to time, and may continue to increase, and we may not be able to pass these costs directly to our customers. Any increased shipping costs could harm our business, prospects, financial condition and results of operations by increasing our costs of doing business and reducing gross margins which could negatively affect our operating results. In addition, we utilize a variety of shipping methods for both inbound and outbound logistics. For inbound logistics, we rely on trucking and ocean carriers and any increases in fees that they charge could adversely affect our business and financial condition. For outbound logistics, we rely on "Less-than-Truckload" and parcel freight based upon the product and quantities being shipped and customer delivery requirements. These outbound freight costs have increased on a year-over-year basis and may continue to increase in the future. We also ship a number of oversized auto parts which may trigger additional shipping costs by third-party delivery services. Any increases in fees or any increased use of "Less-than-Truckload" shipping would increase our shipping costs which could negatively affect our operating results.

In addition, if our relationships with these third parties are terminated or impaired, or if these third parties are unable to deliver products for us, whether due to labor shortage, slow down or stoppage, deteriorating financial or business condition, responses to terrorist attacks or for any other reason, we would be required to use alternative carriers for the shipment of products to our customers. Changing carriers could have a negative effect on our business and operating results due to reduced visibility of order status and package tracking and delays in order processing and product delivery, and we may be unable to engage alternative carriers on a timely basis, upon terms favorable to us, or at all.

If commodity prices such as fuel, plastic and steel increase, our margins may be negatively impacted.

Our third-party delivery services have increased fuel surcharges from time to time, and such increases negatively impact our margins, as we are generally unable to pass all of these costs directly on to consumers. Increasing prices in the component materials for the parts we sell may impact the availability, the quality and the price of our products, as suppliers search for alternatives to existing materials and increase the prices they charge. We cannot ensure that we can recover all the increased costs through price increases, and our suppliers may not continue to provide the consistent quality of product as they may substitute lower cost materials to maintain pricing levels, all of which may have a negative impact on our business and results of operations.

If we are unable to manage the challenges associated with our international operations, the growth of our business could be limited and our business could suffer.

In addition to our relationships with foreign suppliers, we have contracts with sales representatives from fifteen regional sales companies in North America, Mexico, Puerto Rico, the U.K., Europe, the Middle East and the industrial aftermarket. We are subject to a number of risks and challenges that specifically relate to our international operations. Our international operations may not be successful if we are unable to meet and overcome these challenges, which could limit the growth of our business and may have an adverse effect on our business and operating results. These risks and challenges include:

- difficulties and costs of staffing and managing foreign operations;
- restrictions imposed by local labor practices and laws on our business and operations;
- exposure to different business practices and legal standards;
- unexpected changes in regulatory requirements;
- the imposition of government controls and restrictions;
- political, social and economic instability and the risk of war, terrorist activities or other international incidents;
- the failure of telecommunications and connectivity infrastructure;
- natural disasters and public health emergencies;
- potentially adverse tax consequences; and
- fluctuations in foreign currency exchange rates and relative weakness in the U.S. dollar.

The impact of geopolitical conflicts may adversely affect our business and results of operations.

We acquire finished goods in regions outside the United States, including China. As a result, our operations are affected by economic, political and other conditions in the foreign countries in which we do business as well as U.S. laws regulating international trade. Specifically, instability in the geopolitical environment in many parts of the world (including as a result of the on-going Russia and Ukraine war, the conflict between Israel and Hamas and increasingly tense China-Taiwan relations) and other disruptions may continue to put pressure on global economic conditions. Notably, approximately 90% of our vendor base is located in China and supply chain issues have escalated shipping costs in recent years. Our inability to respond to and manage the potential impact of such events effectively could have a material adverse effect on our business, financial condition, and results of operations.

In addition, countries across the globe are instituting sanctions and other penalties against Russia and are becoming more wary of China. While we do not have operations in, and do not obtain products from, Russia or Ukraine, the retaliatory measures that have been taken, and could be taken in the future, by the U.S., NATO, and other countries have created global security concerns that could result in broader European military and political conflicts and otherwise have a substantial impact on regional and global economies, any or all of which could adversely affect our business.

While the broader consequences are uncertain at this time, the continuation and/or escalation of the Russian and Ukraine conflict or the Israel and Hamas conflict, along with any expansion of the conflict to surrounding areas, create a number of risks that could adversely impact our business, including:

- increased inflation and significant volatility in commodity prices;
- disruptions to our technology infrastructure, including through cyberattacks, ransom attacks or cyber-intrusion;
- adverse changes in international trade policies and relations;

- our ability to maintain or increase our prices, including freight in response to rising fuel costs;
- disruptions in global supply chains;
- increased exposure to foreign currency fluctuations; and
- constraints, volatility or disruption in the credit and capital markets.

If our fulfillment operations are interrupted for any significant period of time or are not sufficient to accommodate increased demand, our sales could decline and our reputation could be harmed.

Our success depends on our ability to successfully receive and fulfill orders and to promptly deliver our products to our customers. Most of the orders for our products are filled from our inventory in our distribution centers, where all our inventory management, packaging, labeling and product return processes are performed. Increased demand and other considerations may require us to expand our distribution centers or transfer our fulfillment operations to larger or other facilities in the future. If we do not successfully expand our fulfillment capabilities in response to increases in demand, our sales could decline.

In addition, our distribution centers are susceptible to damage or interruption from human error, pandemics, fire, flood, power loss, telecommunications failures, terrorist attacks, acts of war, break-ins, earthquakes and similar events. We do not currently maintain back-up power systems at our fulfillment centers. We do not presently have a formal disaster recovery plan and our business interruption insurance may be insufficient to compensate us for losses that may occur in the event operations at our fulfillment center are interrupted. In addition, alternative arrangements may not be available, or if they are available, may increase the cost of fulfillment. Any interruptions in our fulfillment operations for any significant period of time, including interruptions resulting from the expansion of our existing facilities or the transfer of operations to a new facility, could damage our reputation and brand and substantially harm our business and results of operations.

We face intense competition and operate in an industry with limited barriers to entry, and some of our competitors may have greater resources than us and may be better positioned to capitalize on the growing auto parts market.

The aftermarket auto parts industry is competitive and highly fragmented, with products distributed through multi-tiered and overlapping channels. We compete with both online and offline retailers who offer OEMs and aftermarket auto parts. Current or potential competitors include FIAMM, Grote, Peterson Manufacturing Company, ECCO, Vixen Horns, Grover, HornBlasters, and Kleinn.

Many of our current and potential competitors have longer operating histories, large customer bases, superior brand recognition and significantly greater financial, marketing, technical, management and other resources than we do. In addition, some of our competitors have used and may continue to use aggressive pricing tactics and devote substantially more financial resources to website and system development than we do. We expect that competition will further intensify in the future as Internet use and online commerce continue to grow worldwide. Increased competition may result in reduced sales, lower operating margins, reduced profitability, loss of market share and diminished brand recognition.

We rely on key personnel and may need additional personnel for the success and growth of our business.

Our business is largely dependent on the personal efforts and abilities of highly skilled executive, technical, managerial, merchandising and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such personnel. The loss of any key employee or our inability to attract or retain other qualified employees could harm our business and results of operations.

If our product catalog database is stolen, misappropriated or damaged, or if a competitor is able to create a substantially similar catalog without infringing our rights, then we may lose an important competitive advantage.

We have invested significant resources and time to build and maintain our product catalog, which is maintained in the form of an electronic database. We believe that our product catalog provides us with an important competitive advantage. We cannot assure you that we will be able to protect our product catalog from unauthorized copying or theft or that our product catalog will continue to operate adequately, without any technological challenges. In addition, it is possible that a competitor could develop a catalog or database that is similar to or more comprehensive than ours, without infringing our rights. In the event our product catalog is damaged or is stolen, copied or otherwise replicated to compete with us, whether lawfully or not, we may lose an important competitive advantage and our business could be harmed.

Economic conditions have had, and may continue to have, an adverse effect on the demand for aftermarket auto parts and could adversely affect our sales and operating results.

Demand for our products has been and may continue to be adversely affected by general economic conditions. In declining economies, consumers often defer regular vehicle maintenance and may forego purchases of nonessential performance and accessories products, which can result in a decrease in demand for auto parts in general. Consumers also defer purchases of new vehicles, which immediately impacts performance parts and accessories, which are generally purchased in the first six months of a vehicle's lifespan. In addition, during economic downturns, some competitors may become more aggressive in their pricing practices, which would adversely impact our gross margin. Certain suppliers may exit the industry, which may impact our ability to procure parts and may adversely impact gross margin as the remaining suppliers increase prices to take advantage of limited competition.

Vehicle miles driven, vehicle accident rates and insurance companies' willingness to accept a variety of types of parts in the repair process have fluctuated and may decrease, which could result in a decline of our revenues and negatively affect our results of operations.

We and our industry depend on the number of vehicle miles driven, vehicle accident rates and insurance companies' willingness to accept a variety of types of parts in the repair process. Decreased miles driven reduce the number of accidents and corresponding demand for parts, and reduce the wear and tear on vehicles with a corresponding reduction in demand for vehicle repairs and parts. If consumers were to drive less in the future and/or accident rates were to decline, as a result of higher gas prices, increased use of ride-shares, the advancement of driver assistance technologies, or otherwise, our sales may decline and our business and financial results may suffer.

We will be required to collect and pay more sales taxes, and could become liable for other fees and penalties, which could have an adverse effect on our business.

We have historically collected sales or other similar taxes only on the shipment of goods to customers in the state of New York. However, following the U.S. Supreme Court decision in *South Dakota v. Wayfair*, we are now required to collect sales tax in any state which passes legislation requiring out-of-state retailers to collect sales tax even where they have no physical nexus. We have historically enjoyed a competitive advantage to the extent our competitors are already subject to those tax obligations. By collecting sales tax in additional states, we will lose this competitive advantage as total costs to our customers will increase, which could adversely affect our sales.

Moreover, if we fail to collect and remit or pay required sales or other taxes in a jurisdiction or qualify or register to do business in a jurisdiction that requires us to do so or if we have failed to do so in the past, we could face material liabilities for taxes, fees, interest and penalties. If various jurisdictions impose new tax obligations on our business activities, our sales and net income in those jurisdictions could decrease significantly, which could harm our business.

Higher wage and benefit costs could adversely affect our business.

Changes in federal and state minimum wage laws and other laws relating to employee benefits could cause us to incur additional wage and benefit costs. Increased labor costs brought about by changes in minimum wage laws, other regulations or prevailing market conditions could increase our expenses and have an adverse impact on our profitability.

We face exposure to product liability lawsuits.

The automotive industry in general has been subject to a large number of product liability claims due to the nature of personal injuries that result from car accidents or malfunctions. As a distributor of auto parts, including parts obtained overseas, we could be held liable for the injury or damage caused if the products we sell are defective or malfunction regardless of whether the product manufacturer is the party at fault. While we carry insurance against product liability claims, if the damages in any given action were high or we were subject to multiple lawsuits, the damages and costs could exceed the limits of our insurance coverage or prevent us from obtaining coverage in the future. If we were required to pay substantial damages as a result of these lawsuits, it may seriously harm our business and financial condition. Even defending against unsuccessful claims could cause us to incur significant expenses and result in a diversion of management's attention. In addition, even if the money damages themselves did not cause substantial harm to our business, the damage to our reputation and the brands offered on our websites could adversely affect our future reputation and our brand and could result in a decline in our net sales and profitability.

Business interruptions in our facilities may affect the distribution of our products and/or the stability of our computer systems, which may affect our business.

Weather, terrorist activities, war or other disasters, or the threat of them, may result in the closure of one or more of our facilities, or may adversely affect our ability to timely provide products to our customers, resulting in lost sales or a potential loss of customer loyalty. Most of our products are imported from other countries and these goods could become difficult or impossible to bring into the United States, and we may not be able to obtain such products from other sources at similar prices. Such a disruption in revenue could potentially have a negative impact on our results of operations, financial condition and cash flows.

We rely extensively on our computer systems to manage inventory, process transactions and timely provide products to our customers. Our systems are subject to damage or interruption from power outages, telecommunications failures, computer viruses, security breaches or other catastrophic events. If our systems are damaged or fail to function properly, we may experience loss of critical data and interruptions or delays in our ability to manage inventories or process customer transactions. Such a disruption of our systems could negatively impact revenue and potentially have a negative impact on our results of operations, financial condition and cash flows.

Security threats, such as ransomware attacks, to our IT infrastructure could expose us to liability, and damage our reputation and business.

It is essential to our business strategy that our technology and network infrastructure remain secure and is perceived by our customers to be secure. Despite security measures, however, any network infrastructure may be vulnerable to cyber-attacks. Information security risks have significantly increased in recent years in part due to the proliferation of new technologies and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign private parties and state actors. We may face cyber-attacks that attempt to penetrate our network security, including our data centers, to sabotage or otherwise disable our network of websites and online marketplaces, misappropriate our or our customers' proprietary information, which may include personally identifiable information, or cause interruptions of our internal systems and services. If successful, any of these attacks could negatively affect our reputation, damage our network infrastructure and our ability to sell our products, harm our relationship with customers that are affected and expose us to financial liability.

We maintain a comprehensive system of preventive and detective controls through our security programs; however, given the rapidly evolving nature and proliferation of cyber threats, our controls may not prevent or identify all such attacks in a timely manner or otherwise prevent unauthorized access to, damage to, or interruption of our systems and operations, and we cannot eliminate the risk of human error or employee or

vendor malfeasance.

In addition, any failure by us to comply with applicable privacy and information security laws and regulations could cause us to incur significant costs to protect any customers whose personal data was compromised and to restore customer confidence in us and to make changes to our information systems and administrative processes to address security issues and compliance with applicable laws and regulations. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to stop shopping on our sites altogether. Such events could lead to lost sales and adversely affect our results of operations. We also could be exposed to government enforcement actions and private litigation.

Failure to comply with privacy laws and regulations and failure to adequately protect customer data could harm our business, damage our reputation and result in a loss of customers.

Federal and state regulations may govern the collection, use, sharing and security of data that we receive from our customers. In addition, we have and post on our websites our own privacy policies and practices concerning the collection, use and disclosure of customer data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, U.S. Federal Trade Commission requirements or other federal, state or international privacy-related laws and regulations could result in proceedings or actions against us by governmental entities or others, which could potentially harm our business. Further, failure or perceived failure to comply with our policies or applicable requirements related to the collection, use or security of personal information or other privacy-related matters could damage our reputation and result in a loss of customers. The regulatory framework for privacy issues is currently evolving and is likely to remain uncertain for the foreseeable future.

Challenges by OEMs to the validity of the aftermarket auto parts industry and claims of intellectual property infringement could adversely affect our business and the viability of the aftermarket auto parts industry.

OEMs have attempted to use claims of intellectual property infringement against manufacturers and distributors of aftermarket products to restrict or eliminate the sale of aftermarket products that are the subject of the claims. The OEMs have brought such claims in federal court and with the United States International Trade Commission. We have received in the past, and we anticipate we may in the future receive, communications alleging that certain products we sell infringe the patents, copyrights, trademarks and trade names or other intellectual property rights of OEMs or other third parties.

The United States Patent and Trademark Office records indicate that OEMs are seeking and obtaining more design patents and trademarks than they have in the past. In some cases, we have entered into license agreements that allow us to sell aftermarket parts that replicate OEM patented parts in exchange for a royalty. In the event that our license agreements, or other similar license arrangements are terminated, or we are unable to agree upon renewal terms, we may be subject to restrictions on our ability to sell aftermarket parts that replicate parts covered by design patents or trademarks, which could have an adverse effect on our business.

Litigation or regulatory enforcement could also result in interpretations of the law that require us to change our business practices or otherwise increase our costs and harm our business. We may not maintain sufficient, or any, insurance coverage to cover the types of claims that could be asserted. If a successful claim were brought against us, it could expose us to significant liability.

If we are unable to protect our intellectual property rights, our reputation and brand could be impaired and we could lose customers.

We regard our patents, trademarks, trade secrets and similar intellectual property as important to our success. We rely on patent, trademark and copyright law, and trade secret protection, and confidentiality and/or license agreements with employees, customers, partners and others to protect our proprietary rights. We cannot be certain that we have taken adequate steps to protect our proprietary rights, especially in countries where the laws may not protect our rights as fully as in the United States. In addition, our proprietary rights may be infringed or misappropriated, and we could be required to incur significant expenses to preserve them. In the past we have filed litigation to protect our intellectual property rights. The outcome of such litigation can be uncertain, and the cost of prosecuting such litigation may have an adverse impact on our earnings. We have patent and trademark registrations for several patents and marks. However, any registrations may not adequately cover our intellectual property or protect us against infringement by others. Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our products and services may be made available online. We also currently own or control a number of Internet domain names and have invested time and money in the purchase of domain names and other intellectual property, which may be impaired if we cannot protect such intellectual property. We may be unable to protect these domain names or acquire or maintain relevant domain names in the United States and in other countries. If we are not able to protect our patents, trademarks, domain names or other intellectual property, we may experience difficulties in achieving and maintaining brand recognition and customer loyalty.

Because we are involved in litigation from time to time and are subject to numerous laws and governmental regulations, we could incur substantial judgments, fines, legal fees and other costs as well as reputational harm.

We are sometimes the subject of complaints or litigation from customers, employees or other third parties for various reasons. The damages sought against us in some of these litigation proceedings could be substantial. Although we maintain liability insurance for some litigation claims, if one or more of the claims were to greatly exceed our insurance coverage limits or if our insurance policies do not cover a claim, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Existing or future government regulation could expose us to liabilities and costly changes in our business operations and could reduce customer demand for our products and services.

We are subject to federal and state consumer protection laws and regulations, including laws protecting the privacy of customer non-public information and regulations prohibiting unfair and deceptive trade practices, as well as laws and regulations governing businesses in general and the Internet and e-commerce and certain environmental laws. Additional laws and regulations may be adopted with respect to the Internet. These laws may cover issues such as user privacy, spyware and the tracking of consumer activities, marketing e-mails and communications, other advertising and promotional practices, money transfers, pricing, content and quality of products and services, taxation, electronic contracts and other communications, intellectual property rights, and information security. Furthermore, it is not clear how existing laws such as those governing issues such as property ownership, sales and other taxes, trespass, data mining and collection, and personal privacy apply to the Internet and e-commerce. To the extent we expand into international markets, we will be faced with complying with local laws and regulations, some of which may be materially different than U.S. laws and regulations. Any such foreign law or regulation, any new U.S. law or regulation, or the interpretation or application of existing laws and regulations to our business may have a material adverse effect on our business, prospects, financial condition and results of operations by, among other things, subjecting us to fines, penalties, damages or other liabilities, requiring costly changes in our business operations and practices, and reducing customer demand for our products and services. We may not maintain sufficient, or any, insurance coverage to cover the types of claims or liabilities that could arise as a result of such regulation.

We may be affected by global climate change or by legal, regulatory, or market responses to such change.

The growing political and scientific sentiment is that global weather patterns are being influenced by increased levels of greenhouse gases in the earth's atmosphere. This growing sentiment and the concern over climate change have led to legislative and regulatory initiatives aimed at reducing greenhouse gas emissions which warm the earth's atmosphere. These warmer weather conditions could result in a decrease in demand for auto parts in general. Moreover, proposals that would impose mandatory requirements on greenhouse gas emissions continue to be considered by policy makers in the United States. Laws enacted that directly or indirectly affect our suppliers (through an increase in the cost of production or their ability to produce satisfactory products) or our business (through an impact on our inventory availability, cost of revenues, operations or demand for the products we sell) could adversely affect our business, financial condition, results of operations and cash flows. Significant increases in fuel economy requirements or new federal or state restrictions on emissions of carbon dioxide that may be imposed on vehicles and automobile fuels could adversely affect demand for vehicles, annual miles driven or the products we sell or lead to changes in automotive technology. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by us or our suppliers. Our inability to respond to such changes could adversely impact the demand for our products and our business, financial condition, results of operations or cash flows.

Risks Related to Our Relationship with Our Manager

Termination of the management services agreement will not affect our manager's rights to receive profit allocations and removal of our manager may cause us to incur significant fees.

Our manager owns all of our allocation shares, which generally will entitle our manager to receive a profit allocation as a form of preferred distribution. In general, this profit allocation is designed to pay our manager 20% of the excess of the gains upon dispositions of our subsidiaries, plus an amount equal to the net income of such subsidiaries since their acquisition by us, over an annualized hurdle rate. If our manager resigns or is removed, for any reason, it will remain the owner of our allocation shares. It will therefore remain entitled to all profit allocations while it holds our allocation shares regardless of whether it is terminated as our manager. If we terminate our manager, it may therefore be difficult or impossible for us to find a replacement to serve the function of our manager, because we would not be able to force our manager to transfer its allocation shares to a replacement manager so that the replacement manager could be entitled to a profit allocation. Therefore, as a practical matter, it may be difficult for us to replace our manager without its cooperation. If it becomes necessary to replace our manager and we are unable to replace our manager without its cooperation, we may be unable to continue to manage our operations effectively and our business may fail.

If we terminate the management services agreement with our manager, any fees, costs and expenses already earned or otherwise payable to our manager upon termination would become immediately due. Moreover, if our manager were to be removed and our management services agreement terminated by a vote of our board of directors and a majority of our common shares other than common shares beneficially owned by our manager, we would also owe a termination fee to our manager on top of the other fees, costs and expenses. In addition, the management services agreement is silent as to whether termination of our manager "for cause" would result in a termination fee; there is therefore a risk that the agreement may be interpreted to entitle our manager to a termination fee even if terminated "for cause". The termination fee would equal twice the sum of the amount of the quarterly management fees calculated with respect to the four fiscal quarters immediately preceding the termination date of the management services agreement. As a result, we could

incur significant management fees as a result of the termination of our manager, which may increase the risk that our business may be unable to meet its financial obligations or otherwise fail.

Mr. Ellery W. Roberts, our Chairman and Chief Executive Officer, controls our manager. If some event were to occur to cause Mr. Roberts (or his designated successor, heirs, beneficiaries or permitted assigns) not to control our manager without the prior written consent of our board of directors, our manager would be considered terminated under our agreement.

Our manager and the members of our management team may engage in activities that compete with us or our businesses.

Although our Chief Executive Officer intends to devote substantially all of his time to the affairs of our company and our manager must present all opportunities that meet our acquisition and disposition criteria to our board of directors, neither our manager nor our Chief Executive Officer is expressly prohibited from investing in or managing other entities. In this regard, the management services agreement and the obligation to provide management services will not create a mutually exclusive relationship between our manager and its affiliates, on the one hand, and our company, on the other.

Our manager need not present an acquisition opportunity to us if our manager determines on its own that such acquisition opportunity does not meet our acquisition criteria.

Our manager will review any acquisition opportunity to determine if it satisfies our acquisition criteria, as established by our board of directors from time to time. If our manager determines, in its sole discretion, that an opportunity fits our criteria, our manager will refer the opportunity to our board of directors for its authorization and approval prior to signing a letter of intent, indication of interest or similar document or agreement. Opportunities that our manager determines do not fit our criteria do not need to be presented to our board of directors for consideration. In addition, upon a determination by our board of directors not to promptly pursue an opportunity presented to it by our manager, in whole or in part, our manager will be unrestricted in its ability to pursue such opportunity, or any part that we do not promptly pursue, on its own or refer such opportunity to other entities, including its affiliates. If such an opportunity is ultimately profitable, we will not have participated in such opportunity. See Item 1 "*Business—Our Manager—Acquisition and Disposition Opportunities*" for more information about our current acquisition criteria.

Our Chief Executive Officer, Mr. Ellery W. Roberts, controls our manager and, as a result, we may have difficulty severing ties with Mr. Roberts.

Under the terms of the management services agreement, our board of directors may, after due consultation with our manager, at any time request that our manager replace any individual seconded to us, and our manager will, as promptly as practicable, replace any such individual. However, because Mr. Roberts controls our manager, we may have difficulty completely severing ties with Mr. Roberts absent terminating the management services agreement and our relationship with our manager. Further, termination of the management services agreement could give rise to a significant financial obligation, which may have a material adverse effect on our business and financial condition. See Item 1 "*Business—Our Manager*" for more information about our relationship with our manager.

If the management services agreement is terminated, our manager, as holder of the allocation shares, has the right to cause us to purchase its allocation shares, which may have a material adverse effect on our financial condition.

If: (i) the management services agreement is terminated at any time other than as a result of our manager's resignation, subject to (ii); or (ii) our manager resigns, our manager will have the right, but not the obligation, for one year from the date of termination or resignation, as the case may be, to cause us to purchase the allocation shares for the put price. The put price shall be equal to, as of any exercise date: (i) if we terminate the management services agreement, the sum of two separate, independently made calculations of the aggregate amount of the "base put price amount" as of such exercise date; or (ii) if our manager resigns, the average of two separate, independently made calculations of the aggregate amount of the "base put price amount" as of such exercise date. If our manager elects to cause us to purchase its allocation shares, we are obligated to do so and, until we have done so, our ability to conduct our business, including our ability to incur debt, to sell or otherwise dispose of our property or assets, to engage in certain mergers or consolidations, to acquire or purchase the property, assets or stock of, or beneficial interests in, another business, or to declare and pay distributions, would be restricted. These financial and operational obligations may have a material adverse effect on our financial condition, business and results of operations. See Item 1 "*Business—Our Manager—Our Manager as an Equity Holder—Supplemental Put Provision*" for more information about our manager's put right and our obligations relating thereto, as well as the definition and calculation of the base put price amount.

If the management services agreement is terminated, we will need to change our name and cease our use of the term "1847", which in turn could have a material adverse impact upon our business and results of operations as we would be required to expend funds to create and market a new name.

Our manager controls our rights to the term "1847" as it is used in the name of our company. We and any businesses that we acquire must cease using the term "1847," including any trademark based on the name of our company that may be licensed to them by our manager under the license provisions of our management services agreement, entirely in their businesses and operations within 180 days of our termination of the management services agreement. The sublicense provisions of the management services agreement would require our company and its businesses to change their names to remove any reference to the term "1847" or any reference to trademarks licensed to them by our manager. This also would require us to create and market a new name and expend funds to protect that name, which may have a material adverse effect on our business and results of operations.

We have agreed to indemnify our manager under the management services agreement that may result in an indemnity payment that could have a material adverse impact upon our business and results of operations.

The management services agreement provides that we will indemnify, reimburse, defend and hold harmless our manager, together with its employees, officers, members, managers, directors and agents, from and against all losses (including lost profits), costs, damages, injuries, taxes, penalties, interests, expenses, obligations, claims and liabilities of any kind arising out of the breach of any term or condition in the management services agreement or the performance of any services under such agreement except by reason of acts or omissions constituting fraud, willful misconduct or gross negligence. If our manager is forced to defend itself in any claims or actions arising out of the management services agreement for which we are obligated to provide indemnification, our payment of such indemnity could have a material adverse impact upon our business and results of operations.

Our manager can resign on 120 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could materially adversely affect our financial condition, business and results of operations, as well as the market price of our shares.

Our manager has the right, under the management services agreement, to resign at any time on 120 days written notice, whether we have found a replacement or not. If our manager resigns, we may not be able to contract with a new manager or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 120 days, or at all, in which case our operations are likely to experience a disruption, our financial condition, business and results of operations, as well as our ability to pay distributions are likely to be materially adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management, acquisition activities and supervision of our business is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the experience and expertise possessed by our manager and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our businesses may result in additional costs and time delays that could materially adversely affect our financial condition, business and results of operations as well as the market price of our shares.

The amount recorded for the allocation shares may be subject to substantial period-to-period changes, thereby significantly adversely impacting our results of operations.

We will record the allocation shares at the redemption value at each balance sheet date by recording any change in fair value through our income statement as a dividend between net income and net income available to common shareholders. The redemption value of the allocation shares is largely related to the value of the profit allocation that our manager, as holder of the allocation shares, will receive. The redemption value of the allocation shares may fluctuate on a period-to-period basis based on the distributions we pay to our common shareholders, the earnings of our businesses and the price of our common shares, which fluctuation may be significant, and could cause a material adverse effect on our results of operations. See Item 1 "*Business—Our Manager—Our Manager as an Equity Holder*" for more information about the terms and calculation of the profit allocation and any payments under the supplemental put provisions of our operating agreement.

We cannot determine the amount of the management fee that will be paid to our manager over time with certainty, which management fee may be a significant cash obligation and may reduce the cash available for operations and distributions to our shareholders.

Our manager's management fee will be calculated by reference to our adjusted net assets, which will be impacted by the following factors:

- the acquisition or disposition of businesses;

- organic growth, add-on acquisitions and dispositions by our businesses; and
- the performance of our businesses.

We cannot predict these factors, which may cause significant fluctuations in our adjusted net assets and, in turn, impact the management fee we pay to our manager. Accordingly, we cannot determine the amount of management fee that will be paid to our manager over time with any certainty, which management fee may represent a significant cash obligation and may reduce the cash available for our operations and distributions to our shareholders.

We must pay our manager the management fee regardless of our performance. Therefore, our manager may be induced to increase the amount of our assets rather than the performance of our businesses.

Our manager is entitled to receive a management fee that is based on our adjusted net assets, as defined in the management services agreement, regardless of the performance of our businesses. In this respect, the calculation of the management fee is unrelated to our net income. As a result, the management fee may encourage our manager to increase the amount of our assets by, for example, recommending to our board of directors the acquisition of additional assets, rather than increase the performance of our businesses. In addition, payment of the management fee may reduce or eliminate the cash we have available for distributions to our shareholders.

The management fee is based solely upon our adjusted net assets; therefore, if in a given year our performance declines, but our adjusted net assets remain the same or increase, the management fee we pay to our manager for such year will increase as a percentage of our net income and may reduce the cash available for distributions to our shareholders.

The management fee we pay to our manager will be calculated solely by reference to our adjusted net assets. If in a given year our performance declines, but our adjusted net assets remain the same or increase, the management fee we pay to our manager for such year will increase as a percentage of our net income and may reduce the cash available for distributions to our shareholders. See Item 1 "*Business—Our Manager—Our Manager as a Service Provider—Management Fee*" for more information about the terms and calculation of the management fee.

The amount of profit allocation to be paid to our manager could be substantial. However, we cannot determine the amount of profit allocation that will be paid over time or the put price with any certainty.

We cannot determine the amount of profit allocation that will be paid over time or the put price with any certainty. Such determination would be dependent on, among other things, the number, type and size of the acquisitions and dispositions that we make in the future, the distributions we pay to our shareholders, the earnings of our businesses and the market value of common shares from time to time, factors that cannot be predicted with any certainty at this time. Such factors will have a significant impact on the amount of any profit allocation to be paid to our manager, especially if our share price significantly increases. See Item 1 "*Business—Our Manager—Our Manager as an Equity Holder—Manager's Profit Allocation*" for more information about the calculation and payment of profit allocation. Any amounts paid in respect of the profit allocation are unrelated to the management fee earned for performance of services under the management services agreement.

The management fee and profit allocation to be paid to our manager may significantly reduce the amount of cash available for distributions to shareholders and for operations.

Under the management services agreement, we will be obligated to pay a management fee to and, subject to certain conditions, reimburse the costs and out-of-pocket expenses of our manager incurred on our behalf in connection with the provision of services to us. Similarly, our businesses will be obligated to pay fees to and reimburse the costs and expenses of our manager pursuant to any offsetting management services agreements entered into between our manager and our businesses, or any transaction services agreements to which such businesses are a party. In addition, our manager, as holder of the allocation shares, will be entitled to receive a profit allocation upon satisfaction of applicable conditions to payment and may be entitled to receive the put price upon the occurrence of certain events. While we cannot quantify with any certainty the actual amount of any such payments in the future, we do expect that such amounts could be substantial. The management fee, put price and profit allocation are payment obligations and, as a result, will be senior in right to the payment of any distributions to our shareholders. Likewise, the profit allocation may also significantly reduce the cash available for operations.

Our manager's influence on conducting our business and operations, including acquisitions, gives it the ability to increase its fees and compensation to our Chief Executive Officer, which may reduce the amount of cash available for distributions to our shareholders.

Under the terms of the management services agreement, our manager is paid a management fee calculated as a percentage of our adjusted net assets for certain items and is unrelated to net income or any other performance base or measure. See Item 1 "*Business—Our Manager—Our Manager as a Service Provider—Management Fee*" for more information about the calculation of the management fee. Our manager, which Ellery W. Roberts, our Chief Executive Officer, controls, may advise us to consummate transactions, incur third-party debt or conduct our operations in a manner that may increase the amount of fees paid to our manager which, in turn, may result in higher compensation to Mr. Roberts because his compensation is paid by our manager from the management fee it receives from us.

Fees paid by our company and our businesses pursuant to transaction services agreements do not offset fees payable under the management services agreement and will be in addition to the management fee payable by our company under the management services agreement.

The management services agreement provides that businesses that we may acquire in the future may enter into transaction services agreements with our manager pursuant to which our businesses will pay fees to our manager. See Item 1 "*Business—Our Manager—Our Manager as a Service Provider*" for more information about these agreements. Unlike fees paid under the offsetting management services agreements, fees that are paid pursuant to such transaction services agreements will not reduce the management fee payable by us. Therefore, such fees will be in addition to the management fee payable by us or offsetting management fees paid by businesses that we may acquire in the future.

The fees to be paid to our manager pursuant to these transaction service agreements will be paid prior to any principal, interest or dividend payments to be paid to us by our businesses, which will reduce the amount of cash available for distributions to our shareholders.

Our manager's profit allocation may induce it to make decisions and recommend actions to our board of directors that are not optimal for our business and operations.

Our manager, as holder of all of the allocation shares, will receive a profit allocation based on the extent to which gains from any sales of our subsidiaries plus their net income since the time they were acquired exceed a certain annualized hurdle rate. As a result, our manager may be encouraged to make decisions or to make recommendations to our board of directors regarding our business and operations, the business and operations of our businesses, acquisitions or dispositions by us or our businesses and distributions to our shareholders, any of which factors could affect the calculation and payment of profit allocation, but which may otherwise be detrimental to our long-term financial condition and performance.

The obligations to pay the management fee and profit allocation, including the put price, may cause us to liquidate assets or incur debt.

If we do not have sufficient liquid assets to pay the management fee and profit allocation, including the put price, when such payments are due and payable, we may be required to liquidate assets or incur debt in order to make such payments. This circumstance could materially adversely affect our liquidity and ability to make distributions to our shareholders.

Risks Related to Taxation

Our shareholders will be subject to taxation on their share of our taxable income, whether or not they receive cash distributions from us.

Our company is a limited liability company and is classified as a partnership for U.S. federal income tax purposes. Consequently, our shareholders are subject to U.S. federal income taxation and, possibly, state, local and foreign income taxation on their share of our taxable income, whether or not they receive cash distributions from us. There is, accordingly, a risk that our shareholders may not receive cash distributions equal to their allocated portion of our taxable income or even in an amount sufficient to satisfy the tax liability that results from that income. This risk is attributable to a number of variables, such as results of operations, unknown liabilities, government regulations, financial covenants relating to our debt, the need for funds for future acquisitions and/or to satisfy short- and long-term working capital needs of our businesses, and the discretion and authority of our board of directors to make distributions or modify our distribution policy.

As a partnership, our company itself will not be subject to U.S. federal income tax (except as may be imposed under certain recently enacted partnership audit rules), although it will file an annual partnership information return with the IRS. The information return will report the results of our activities and will contain a Schedule K-1 for each company shareholder reflecting allocations of profits or losses (and items thereof) to our members, that is, to the shareholders. Each partner of a partnership is required to report on his or her income tax return his or her share of items of income, gain, loss, deduction, credit, and other items of the partnership (in each case, as reflected on such Schedule K-1) without regard to whether cash distributions are received. Each holder will be required to report on his or her tax return his or her allocable share of company income, gain, loss, deduction, credit and other items for our taxable year that ends with or within the holder's taxable year. Thus, holders of common shares will be required to report taxable income (and thus be subject to significant income tax liability) without a corresponding current receipt of cash if we were to recognize taxable income and not make cash distributions to the shareholders.

Generally, the determination of a holder's distributive share of any item of income, gain, loss, deduction, or credit of a partnership is governed by the operating agreement, but it is also subject to income tax laws governing the allocation of the partnership's income, gains, losses, deductions and credits. These laws are complex, and there can be no assurance that the IRS would not successfully challenge any allocation set

forth in any Schedule K-1 issued by us. Whether an allocation set forth in any particular K-1 issued to a shareholder will be accepted by the IRS also depends on a facts and circumstances analysis of the underlying economic arrangement of our shareholders. If the IRS were to prevail in challenging the allocations provided by the operating agreement, the amount of income or loss allocated to holders for U.S. federal income tax purposes could be increased or reduced or the character of allocated income or loss could be modified. See "*Material U.S. Federal Income Tax Considerations*" included in our prospectus, dated October 28, 2024 and filed with the SEC on October 30, 2024, for more information.

All of our income could be subject to an entity-level tax in the United States, which could result in a material reduction in cash flow available for distribution to shareholders and thus could result in a substantial reduction in the value our shares.

Given the number of shareholders that we have, and because our shares are listed for trading on the over-the-counter market, we believe that our company will be regarded as a publicly traded partnership. Under the federal tax laws, a publicly traded partnership generally will be treated as a corporation for U.S. federal income tax purposes. A publicly traded partnership will be treated as a partnership, however, and not as a corporation for U.S. federal tax purposes so long as 90% or more of its gross income for each taxable year in which it is publicly traded constitutes "qualifying income," within the meaning of section 7704(d) of the Internal Revenue Code of 1986, as amended, or the Code, and we are not required to register under the Investment Company Act. Qualifying income generally includes dividends, interest (other than interest derived in the conduct of a lending or insurance business or interest the determination of which depends in whole or in part on the income or profits of any person), certain real property rents, certain gain from the sale or other disposition of real property, gains from the sale of stock or debt instruments which are held as capital assets, and certain other forms of "passive-type" income. We expect to realize sufficient qualifying income to satisfy the qualifying income exception. We also expect that we will not be required to register under the Investment Company Act.

In certain cases, income that would otherwise qualify for the qualifying income exception may not so qualify if it is considered to be derived from an active conduct of a business. For example, the IRS may assert that interest received by us from our subsidiaries is not qualifying income because it is derived in the conduct of a lending business. If we fail to satisfy the qualifying income exception or is required to register under the Investment Company Act, we will be classified as a corporation for U.S. federal (and certain state and local) income tax purposes, and shareholders would be treated as shareholders in a domestic corporation. We would be required to pay federal income tax at regular corporate rates on its income. In addition, we would likely be liable for state and local income and/or franchise taxes on our income. Distributions to the shareholders would constitute ordinary dividend income (taxable at then existing ordinary income rates) or, in certain cases, qualified dividend income (which is generally subject to tax at reduced tax rates) to such holders to the extent of our earnings and profits, and the payment of these dividends would not be deductible to us. Shareholders would receive an IRS Form 1099-DIV in respect of such dividend income and would not receive a Schedule K-1. Taxation of our company as a corporation could result in a material reduction in distributions to our shareholders and after-tax return and would likely result in a substantial reduction in the value of, or materially adversely affect the market price of, our shares.

The present U.S. federal income tax treatment of an investment in our shares may be modified by administrative, legislative, or judicial interpretation at any time, and any such action may affect investments previously made. For example, changes to the U.S. federal tax laws and interpretations thereof could make it more difficult or impossible to meet the qualifying income exception for our company to be classified as a partnership, and not as a corporation, for U.S. federal income tax purposes, necessitate that our company restructure its investments, or otherwise adversely affect an investment in our shares.

In addition, we may become subject to an entity level tax in one or more states. Several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise, or other forms of taxation. If any state were to impose a tax upon our company as an entity, our distributions to you would be reduced.

Complying with certain tax-related requirements may cause us to forego otherwise attractive business or investment opportunities or enter into acquisitions, borrowings, financings, or arrangements we may not have otherwise entered into.

In order for our company to be treated as a partnership for U.S. federal income tax purposes and not as a publicly traded partnership taxable as a corporation, we must meet the qualifying income exception discussed above on a continuing basis and must not be required to register as an investment company under the Investment Company Act. In order to effect such treatment, we may be required to invest through foreign or domestic corporations, forego attractive business or investment opportunities or enter into borrowings or financings we (or any of our subsidiaries, as the case may be) may not have otherwise entered into. This may adversely affect our ability to operate solely to maximize our cash flow. In addition, we may not be able to participate in certain corporate reorganization transactions that would be tax free to our shareholders if we were a corporation for U.S. federal income tax purposes.

Non-corporate investors who are U.S. taxpayers will not be able to deduct certain fees, costs or other expenses for U.S. federal income tax purposes.

We will pay a management fee (and possibly certain transaction fees) to our manager. We will also pay certain costs and expenses incurred in connection with the activities of our manager. We intend to deduct such fees and expenses to the extent that they are reasonable in amount and are not capital in nature or otherwise nondeductible. It is expected that such fees and other expenses will generally constitute miscellaneous itemized deductions for non-corporate U.S. taxpayers who hold our shares. Under current law in effect for taxable years beginning after December 31, 2017 and before January 1, 2026, non-corporate U.S. taxpayers may not deduct any such miscellaneous itemized deductions for U.S. federal income tax purposes. A non-corporate U.S. taxpayer's inability to deduct such items could result in such holder reporting as his or her share of company taxable income an amount that exceeds any cash actually distributed to such U.S. taxpayer for the year. U.S. holders of our shares that are corporations generally will be able to deduct these fees, costs and expenses in accordance with applicable U.S. federal income tax law.

A portion of the income arising from an investment in our shares may be treated as unrelated business taxable income and taxable to certain tax-exempt holders despite such holders' tax-exempt status.

We expect to incur debt with respect to certain of our investments that will be treated as "acquisition indebtedness" under section 514 of the Code. To the extent we recognize income from any investment with respect to which there is "acquisition indebtedness" during a taxable year, or to the extent we recognize gain from the disposition of any investment with respect to which there is "acquisition indebtedness," a portion of that income will be treated as unrelated business taxable income and taxable to tax-exempt investors. In addition, if the IRS successfully asserts that we are engaged in a trade or business for U.S. federal income tax purposes (for example, if it determines we are engaged in a lending business), tax-exempt holders, and in certain cases non-U.S. holders, would be subject to U.S. income tax on any income generated by such business. The foregoing would apply only if the amount of such business income does not cause us to fail to meet the qualifying income test (which would happen if such income exceeded 10% of our gross income, and in which case such failure would cause us to be taxable as a corporation).

A portion of the income arising from an investment in our shares may be treated as income that is effectively connected with our conduct of a U.S. trade or business, which income would be taxable to holders who are not U.S. taxpayers.

If the IRS successfully asserts that we are engaged in a trade or business in the United States for U.S. federal income tax purposes (for example, if it determines we are engaged in a lending business), then in certain cases non-U.S. holders would be subject to U.S. income tax on any income that is effectively connected with such business. It could also cause the non-U.S. holder to be subject to U.S. federal income tax on a sale of his or her interest in our company. The foregoing would apply only if the amount of such business income does not cause us to fail to meet the qualifying income test (which would happen if such income exceeded 10% of our gross income, and in which case such failure would cause us to be taxable as a corporation).

Risks related to recently enacted legislation.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. No assurance can be given as to whether, when or in what form the U.S. federal income tax laws applicable to us and our shareholders may be enacted. Changes to the U.S. federal income tax laws and interpretations of U.S. federal income tax laws could adversely affect an investment in our shares.

We cannot predict whether, when or to what extent new U.S. federal tax laws, regulations, interpretations or rulings will be issued, nor is the long-term impact of recently enacted tax legislation clear. Prospective investors are urged to consult their tax advisors regarding the effect of potential changes to the U.S. federal income tax laws on an investment in our shares.

Risks Related to Ownership of Our Common Shares

Our common shares are quoted on the OTCID Market, which may have an unfavorable impact on our share price and liquidity.

Our common shares are quoted on the OTCID Market operated by OTC Markets Group Inc. The OTCID Market is a significantly more limited market than the New York Stock Exchange or The Nasdaq Stock Market. The quotation of our shares on the OTCID Market may result in a less liquid market available for existing and potential shareholders to trade our common shares, could depress the trading price of our common shares and could have a long-term adverse impact on our ability to raise capital in the future.

The market price, trading volume and marketability of our common shares may, from time to time, be significantly affected by numerous factors beyond our control, which may materially adversely affect the market price of your common shares, the marketability of your common shares and our ability to raise capital through future equity financings.

The market price and trading volume of our common shares may fluctuate significantly. Many factors that are beyond our control may materially adversely affect the market price of your common shares, the marketability of your common shares and our ability to raise capital through equity financings. These factors include the following:

- actual or anticipated variations in our periodic operating results;
- increases in market interest rates that lead investors of our common shares to demand a higher investment return;
- changes in earnings estimates;
- changes in market valuations of similar companies;
- actions or announcements by our competitors;
- adverse market reaction to any increased indebtedness we may incur in the future;
- additions or departures of key personnel;
- actions by shareholders; and
- speculation in the media, online forums, or investment community.

An active, liquid trading market for our common shares may not be sustained, which may make it difficult for you to sell the common shares you purchase.

We cannot predict the extent to which investor interest in us will sustain a trading market or how active and liquid that market may remain. If an active and liquid trading market is not sustained, you may have difficulty selling any of our common shares that you purchase at a price above the price you purchase them or at all. The failure of an active and liquid trading market to continue would likely have a material adverse effect on the value of our common shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling securities and may impair our ability to acquire other companies or technologies by using our securities as consideration.

Future sales of our securities may affect the market price of our common shares and result in material dilution.

We cannot predict what effect, if any, future sales of our common shares, or the availability of common shares for future sale, will have on the market price of our common shares. Notably, we are obligated to issue 2,267,273 common shares upon the conversion of our outstanding series A senior convertible preferred shares, 5,574 common shares upon the conversion of our outstanding series C senior convertible preferred shares, 32,274 common shares upon the conversion of our outstanding series D senior convertible preferred shares, 6,630,086 common shares upon the conversion of our outstanding series F convertible preferred shares, and 1,266,178,648 common shares issuable upon the exercise of outstanding warrants at a weighted-average exercise price of $0.07 per share (subject to adjustment). We are also obligated to issue 561,139,204 common shares upon the conversion of secured convertible promissory notes in the aggregate principal amount of $22,751,184 and accrued interest, which are convertible into our common shares at a conversion of $0.054 (subject to adjustment). We have also reserved 8,095,933 common shares for issuance under our 2023 Equity Incentive Plan. The issuance of any of the foregoing shares would result in significant dilution to our existing shareholders and could adversely affect the market price of our common shares.

Sales of substantial amounts of our common shares in the public market, or the perception that such sales could occur, could materially adversely affect the market price of our common shares and may make it more difficult for you to sell your common shares at a time and price which you deem appropriate.

Rule 144 sales in the future may have a depressive effect on our share price.

All of the outstanding common shares held by the present officers, directors, and affiliate shareholders are "restricted securities" within the meaning of Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Securities Act and as required under applicable state securities laws. Rule 144 provides in essence that a person who is an affiliate or officer or director who has held restricted securities for six months may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed the greater of 1.0% of a company's outstanding common shares. There is no limitation on the amount of restricted securities that may be sold by a non-affiliate after the owner has held the restricted securities for a period of six months if our company is a current reporting company under the Exchange Act. A sale under Rule 144 or under any other exemption from the Securities Act, if available, or pursuant to subsequent registration of common shares of present shareholders, may have a depressive effect upon the price of the common shares in any market that may develop.

Our preferred shares are senior to our common shares as to distributions and in liquidation, which could limit our ability to make distributions to our common shareholders.

Holders of our series A senior convertible preferred shares are entitled to quarterly dividends, payable in cash or in common shares, at a rate per annum of 24.0% of the stated value ($2.42 per share), holders of our series C senior convertible preferred shares are entitled to accruing dividends, payable upon conversion or liquidation, at a rate per annum of 6.0% of the stated value ($10.00 per share), and holders of our series D senior convertible preferred shares are entitled to accruing dividends, payable upon conversion or liquidation, at a rate per annum of 10.0% of the stated value ($0.339 per share). In addition, upon any liquidation of our company or its subsidiaries, each holder of outstanding series A senior convertible preferred shares will be entitled to receive an amount of cash equal to 115% of the stated value, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared), each holder of outstanding series D senior convertible preferred shares, series D senior convertible preferred shares and series F convertible preferred shares will be entitled to receive an amount of cash equal to 100% of the stated value ($1,000 per share in the case of our series F convertible preferred shares), plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared), all before any payment shall be made to or set apart for the holders of our common shares. This could limit our ability to make regular distributions to our common shareholders or distributions upon liquidation.

We may issue additional debt and equity securities, which are senior to our common shares as to distributions and in liquidation, which could materially adversely affect the market price of our common shares.

In the future, we may attempt to increase our capital resources by entering into additional debt or debt-like financing that is secured by all or up to all of our assets, or issuing debt or equity securities, which could include issuances of commercial paper, medium-term notes, senior notes, subordinated notes or shares. In the event of our liquidation, our lenders and holders of our debt securities would receive a distribution of our available assets before distributions to our shareholders.

Any additional preferred securities, if issued by our company, may have a preference with respect to distributions and upon liquidation, which could further limit our ability to make distributions to our common shareholders. Because our decision to incur debt and issue securities in our future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financing.

Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. Thus, you will bear the risk of our future offerings reducing the value of your common shares and diluting your interest in us. In addition, we can change our leverage strategy from time to time without approval of holders of our common shares, which could materially adversely affect the market share price of our common shares.

Our potential future earnings and cash distributions to our shareholders may affect the market price of our common shares.

Generally, the market price of our common shares may be based, in part, on the market's perception of our growth potential and our current and potential future cash distributions, whether from operations, sales, acquisitions or refinancings, and on the value of our businesses. For that reason, our common shares may trade at prices that are higher or lower than our net asset value per share. Should we retain operating cash flow for investment purposes or working capital reserves instead of distributing the cash flows to our shareholders, the retained funds, while increasing the value of our underlying assets, may materially adversely affect the market price of our common shares. Our failure to meet market expectations with respect to earnings and cash distributions and our failure to make such distributions, for any reason whatsoever, could materially adversely affect the market price of our common shares.

Were our common shares to be considered penny stock, and therefore become subject to the penny stock rules, U.S. broker-dealers may be discouraged from effecting transactions in our common shares.

Our common shares may be subject to the penny stock rules under the Exchange Act. These rules regulate broker-dealer practices for transactions in "penny stocks." Penny stocks are generally equity securities with a price of less than $5.00 per share. The penny stock rules require broker-dealers that derive more than 5% of their customer transaction revenues from transactions in penny stocks to deliver a standardized risk disclosure document that provides information about penny stocks, and the nature and level of risks in the penny stock market, to any non-institutional customer to whom the broker-dealer recommends a penny stock transaction. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations and the broker-dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction, the broker and/or dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. The transaction costs associated with penny stocks are high, reducing the number of broker-dealers who may be willing to engage in the trading of our common shares. These additional penny stock disclosure requirements are burdensome and may reduce all the trading activity in the market for our common shares. As long as our common shares are subject to the penny stock rules, holders of our common shares may find it more difficult to sell their shares.

Holders of our common shares may not be entitled to a jury trial with respect to claims arising under our operating agreement, which could result in less favorable outcomes to the plaintiffs in any such action.

Our operating agreement governing our common shares provides that, to the fullest extent permitted by law, holders of our common shares waive the right to a jury trial of any claim they may have against us arising out of or relating to our operating agreement, including any claim under the U.S. federal securities laws.

If we opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of Delaware, which govern our operating agreement, by a federal or state court in the State of Delaware, which has non-exclusive jurisdiction over matters arising under the operating agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to our operating agreement. It is advisable that you consult legal counsel regarding the jury waiver provision before entering into the operating agreement.

If you or any other holders or beneficial owners of our common shares bring a claim against us in connection with matters arising under our operating agreement, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us. If a lawsuit is brought against us under our operating agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including results that could be less favorable to the plaintiffs in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the operating agreement with a jury trial. No condition, stipulation or provision of the operating agreement serves as a waiver by any holder or beneficial owner of our common shares or by us of compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 1C. CYBERSECURITY.

Risk Management and Strategy

We recognize the critical importance of developing, implementing, and maintaining robust cybersecurity measures to safeguard our information systems and protect the confidentiality, integrity, and availability of our data. We have developed the following processes as part of our strategy for assessing, identifying, and managing material risks from cybersecurity threats.

Managing Material Risks & Integrated Overall Risk Management

We have integrated cybersecurity risk management into our risk management processes. This integration is intended to ensure that cybersecurity considerations are part of our decision-making processes. We continuously evaluate and address cybersecurity risks in alignment with our business objectives and operational needs.

Engaging Third-parties on Risk Management

Recognizing the complexity and evolving nature of cybersecurity threats, we plan to engage external experts, including consultants and auditors, in evaluating and testing our risk management systems. These services will enable us to leverage specialized knowledge and insights, ensuring our cybersecurity strategies and processes remain at the forefront of industry best practices. Our collaboration with these third-parties is expected to include annual audits, ongoing threat assessments, and regular consultations on security enhancements.

Overseeing Third-Party Risk

Because we are aware of the risks associated with third-party service providers, we implement processes to oversee and manage these risks. We conduct thorough security assessments of all third-party providers before engagement and maintain ongoing monitoring to ensure compliance with our cybersecurity standards. This approach is designed to mitigate risks related to data breaches or other security incidents originating from third parties.

Risks from Cybersecurity Threats

We have not encountered cybersecurity challenges that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition.

Governance

Board of Directors Oversight

Our board of directors oversees the management of risks associated with cybersecurity threats.

Management's Role Managing Risk

Management is primarily responsible for assessing, monitoring and managing our cybersecurity risks. Management must ensure that all industry standard cybersecurity measures are functioning as required to prevent or detect cybersecurity threats and related risks. Management oversees and tests our compliance with standards, remediates known risks, and leads our employee training program.

Monitoring Cybersecurity Incidents

Management is continually informed about the latest developments in cybersecurity, including potential threats and innovative risk management techniques. Management implements and oversees processes for the regular monitoring of our information systems. This includes the deployment of industry-standard security measures and regular system audits to identify potential vulnerabilities. In the event of a cybersecurity incident, management will implement an incident response plan. This plan includes immediate actions to mitigate the impact and long-term strategies for remediation and prevention of future incidents.

Reporting to Board of Directors

Significant cybersecurity matters, and strategic risk management decisions, will be escalated to the board of directors.

ITEM 2. PROPERTIES.

Our principal office is located at 260 Madison Avenue, 8th Floor, New York, NY 10016. We entered into an office service agreement with Regus Management Group, LLC for use of office space at this location effective January 22, 2013. Under the agreement, in exchange for our right to use the office space at this location, we are required to pay a monthly fee of $210 (excluding taxes).

Kyle's is headquartered at 10849 W. Emerald St. Boise, ID 83713, where it leases a 6,600 square foot facility that includes corporate offices, administration, production floor, warehouse, and employee areas. On September 1, 2020, Kyle's entered into a five-year industrial lease agreement with Stephen Mallatt, Jr. and Rita Mallatt, officers of Kyle's, which was amended on September 1, 2025 to extend the lease for an additional five years. Commencing on September 1, 2025, the lease provides for a base rent of $7,925, with scheduled annual increases. In addition, Kyle's is responsible for all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties and covenants.

On June 9, 2021, Kyle's entered into a lease agreement for an additional facility located at 11193 W. Emerald St. Boise, ID 83713. The facility consists of 9,530 square feet of office and warehouse space. The lease commenced on January 1, 2022 and is for a term of 62 months, with an option for a renewal term of five years, and provides for a base rent of $3,336 for months 3-4 (with no payments for the first two months), with gradual increases to $7,508 for final year. In addition, Kyle's is responsible for its proportionate share of all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties and covenants.

CMD is headquartered at 4495 Delancey Drive, Las Vegas, NV 89103, where it leases a 15,000 square foot facility that includes corporate offices, administration, production floor, warehouse, and employee areas. On December 16, 2024, 1847 CMD entered into a lease agreement with Delancey LLC relating to this property and another located at 4485 Delancey Drive, Las Vegas, NV 89103. The lease expires on December 31, 2029, with options for renewals for two (2) additional five (5) year periods, and provides for a base rent of $20,000 per month, which shall increase annually by an amount equal to three percent (3%) of the previous year's base rent. In addition, 1847 CMD is responsible for all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties and covenants.

CMD also leases a property located at 2421 East Gowan Road, North Las Vegas, Nevada 89030. This facility consists of 15,288 square feet of office and warehouse space. On December 16, 2024, 1847 CMD entered into a lease agreement for this property with CD Gowan LLC. The lease expires on December 31, 2029, with options for renewals for two (2) additional five (5) year periods, and provides for a base rent of $15,000 per month, which shall increase annually by an amount equal to three percent (3%) of the previous year's base rent. In addition, 1847 CMD is responsible for all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties and covenants.

CMD also leases a property located at 2745 N. Kiowa Blvd, Unit 102, Lake Havasu City, Arizona 86404. The lease commenced on February 15, 2025 and is for a term of three years. Under the terms of the lease, CMD will lease the premises for a base rent of $3,300, with scheduled annual increases. In addition, CMD is responsible for 50% all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties, and covenants.

We believe that all our properties have been adequately maintained, are generally in good condition, and are suitable and adequate for our businesses.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these, or other matters, may arise from time to time that may harm our business. Except as set forth below, we are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

On September 4, 2025, Alpha Capital Anstalt, or Alpha Capital, filed a complaint in the Supreme Court of the State of New York, County of New York against our company, in an action captioned *Alpha Capital Anstalt v. 1847 Holdings LLC, Index No. 655245/2025*. The complaint asserts a claim for breach of contract against our company based on its alleged breach of a securities purchase agreement it entered into with Alpha Capital on December 14, 2024, or the SPA. Alpha Capital alleges that we breached the implied covenant of good faith and fair dealing and Section 4.10 in the SPA by failing to take steps to have our common shares listed on another trading market after it was delisted from NYSE American. Alpha Capital alleges that, as a result of our alleged failure in that regard, its has not been able to sell or exercise the securities it acquired under the SPA and in a subsequent transaction. Alpha Capital seeks damages of at least $2 million plus its attorney's fees, costs, and pre- and post-judgment interest and, alternatively, an order requiring us to get our common shares listed on a trading market. On October 8, 2025, we filed an answer to the complaint denying the material allegations in the complaint and asserting several affirmative defenses. The answer includes a counterclaim against Alpha Capital for our costs and attorney's fees for defending the action pursuant to the provision in SPA providing that the prevailing party in litigation is to be awarded its attorney's fees and costs from the other party. On January 22, 2026, the court held a Preliminary Conference and set September 18, 2026 as the deadline for Alpha Capital to file a note of issue/certificate of readiness, and the court will thereafter set a trial date. Discovery commenced on February 27, 2026. We believe we have meritorious defenses to Alpha Capital's claims, including because our common shares commenced trading on the OTCID market on October 15, 2025. Our company intends to vigorously defend itself against Alpha Capital's claims. Due to this litigation being in its early stage, we cannot reasonably estimate at this time the potential loss or range of loss, if any, in the event of an adverse outcome in this matter. It is possible an adverse outcome could materially adversely affect our financial condition, results of operations, and cash flows. No accrual has been recorded with respect to this legal matter.

On October 17, 2025, Matthew Miller, individually and as principal of Strategic Risk, LLC, or the Plaintiff, filed a complaint in the U.S. District Court for the Southern District of New York in an action captioned *Matthew Miller v. 1847 Holdings LLC; 1847 Partners LLC; Ellery W. Roberts; Louis Bevilacqua; Bevilacqua PLLC; Joseph D. Wilson; Eric Van Dam; Vernice Howard; Edward Tobin; Glyn Milburn; and Does 1-10, case no. 1:25-cv-08606-LAK*. On October 24, 2025, Plaintiff filed an amended complaint that also named Spartan Capital Securities LLC; and Sichenzia Ross Ference Carmel LLP as defendants. On October 28, 2025, the Court sua sponte dismissed the amended complaint without prejudice and with leave to replead. On November 24, 2025, the Plaintiff filed a second amended complaint naming 1847 Holdings, LLC, 1847 Partners, LLC, Ellery W. Roberts, Louis A. Bevilacqua, Bevilacqua PLLC, and Vernice Howard as defendants and alleging claims for securities fraud, scheme liability, control person liability, and common law fraud. On February 17, 2026, 1847 Holdings, 1847 Partners, Mr. Roberts, and Ms. Howard filed a motion to dismiss the second amended complaint. The motion is now fully briefed and the parties are awaiting a ruling from the court. If the action proceeds, our company and its principals intend to defend vigorously the Plaintiff's allegations.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common shares were previously listed on NYSE American under the symbol "EFSH." On April 3, 2025, NYSE American notified us that it had determined to commence proceedings to delist our common shares due to the low selling price of our common shares and trading of our common shares on NYSE American was suspended on such date. We requested a review of NYSE American's determination to delist our common shares. On July 1, 2025, we were notified that a listing qualifications panel upheld NYSE American's delisting determination, and on July 9, 2025, NYSE American filed a Form 25 with the SEC to formally delist our common shares from NYSE American. On October 15, 2025, our common shares commenced quotation on the OTCID Market operated by OTC Markets Group Inc.

The OTCID Market is a regulated quotation service that displays real-time quotes, last sale prices and volume information in over-the-counter securities. Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Number of Holders of Our Common Shares

As of March 26, 2026, there were approximately 79 shareholders of record of our common shares. In computing the number of holders of record of our common shares, each broker-dealer and clearing corporation holding shares on behalf of its customers is counted as a single shareholder.

Securities Authorized for Issuance Under Equity Compensation Plans

Please see Item 12 "*Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*."

Dividend Policy

Holders of our series A senior convertible preferred shares are entitled to dividends at a rate per annum of 24.0% of the stated value of $2.42 per share (subject to adjustment). Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date in cash or common shares at our discretion. Dividends payable in common shares shall be calculated based on a price equal to eighty percent (80%) of the volume weighted average price for the common shares on our principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date; provided that if our common shares are not registered, any dividends payable in common shares shall be calculated based upon the fixed price of $1.57; and provided further that we may only elect to pay dividends in common shares based upon such fixed price if the volume weighted average price for the common shares on our principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date is $1.57 or higher.

Holders of our series C senior convertible preferred shares are entitled to dividends at a rate per annum of 6.0% of the stated value of $10.00 per share. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable only upon conversion or upon liquidation of our company.

Holders of our series D senior convertible preferred shares are entitled to dividends at a rate per annum of 10.0% of the stated value of $0.339 per share. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable only upon conversion or upon liquidation of our company.

We plan to make regular distributions on our outstanding common shares, subject to our operating subsidiaries generating sufficient cash flow to support such regular cash distributions. Our distribution policy will be based on the liquidity and capital of our businesses and on our intention to pay out as distributions to our shareholders most of the cash resulting from the ordinary operation of the businesses, and not to retain significant cash balances in excess of what is prudent for our company or our businesses, or as may be prudent for the consummation of attractive acquisition opportunities. If our strategy is successful, we expect to maintain and increase the level of regular distributions to common shareholders in the future.

The declaration and payment of any distribution to our common shareholders will be subject to the approval of our board of directors. Our board of directors will take into account such matters as general business conditions, our financial condition, results of operations, capital requirements and any contractual, legal and regulatory restrictions on the payment of distributions by us to our shareholders or by our subsidiaries to us, and any other factors that the board of directors deems relevant. However, even if our board of directors were to decide to declare and pay distributions, our ability to pay such distributions may be adversely impacted due to unknown liabilities, government regulations, financial covenants of our debt, funds needed for acquisitions and to satisfy short- and long-term working capital needs of our businesses, or if our operating subsidiaries do not generate sufficient earnings and cash flow to support the payment of such distributions. In particular, we may incur debt in the future to acquire new businesses, which debt will have substantial debt commitments, which must be satisfied before we can make distributions. These factors could affect our ability to continue to make distributions to our common shareholders.

We may use cash flow from our operating subsidiaries, capital resources, including borrowings under any third-party credit facilities that we establish, or reduction in equity to pay a distribution. See "*Material U.S. Federal Income Tax Considerations*" included in our prospectus, dated October 28, 2024 and filed with the SEC on October 30, 2024, for more information about the tax treatment of distributions to our shareholders.

Recent Sales of Unregistered Securities

Except as set forth below, we have not sold any equity securities during the 2025 fiscal year that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K that was filed during the 2025 fiscal year.

On August 29, 2025, we issued 1,420,000 common shares to a consultant for services rendered.

Purchases of Equity Securities

No repurchases of our common shares were made during the fourth quarter of 2025.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis summarizes the significant factors affecting our operating results, financial condition, liquidity and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our financial statements and the related notes thereto included elsewhere in this report. The discussion contains forward-looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this report, particularly in the sections titled "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

We are an acquisition holding company focused on acquiring and managing a group of small businesses, which we characterize as those that have an enterprise value of less than $50 million, in a variety of different industries headquartered in North America.

Through our structure, we offer investors an opportunity to participate in the ownership and growth of a portfolio of businesses that traditionally have been owned and managed by private equity firms, private individuals or families, financial institutions or large conglomerates. We believe that our management and acquisition strategies will allow us to achieve our goals to make and grow regular distributions to our common shareholders and increase common shareholder value over time.

We seek to acquire controlling interests in small businesses that we believe operate in industries with long-term macroeconomic growth opportunities, and that have positive and stable earnings and cash flows, face minimal threats of technological or competitive obsolescence and have strong management teams largely in place. We believe that private company operators and corporate parents looking to sell their businesses will consider us to be an attractive purchaser of their businesses. We make these businesses our majority-owned subsidiaries and actively manage and grow such businesses. We expect to improve our businesses over the long term through organic growth opportunities, add-on acquisitions and operational improvements.

Management Fees

On April 15, 2013, we and our manager entered into a management services agreement, pursuant to which we are required to pay our manager a quarterly management fee equal to 0.5% of our adjusted net assets for services performed (which we refer to as the parent management fee). The amount of the parent management fee with respect to any fiscal quarter is (i) reduced by the aggregate amount of any management fees received by our manager under any offsetting management services agreements with respect to such fiscal quarter, (ii) reduced (or increased) by the amount of any over-paid (or under-paid) parent management fees received by (or owed to) our manager as of the end of such fiscal quarter, and (iii) increased by the amount of any outstanding accrued and unpaid parent management fees. We did not expense any parent management fees for the years ended December 31, 2025 and 2024.

Following the assignment of all of the assets of Asien's on February 26, 2024 as described under "*—Discontinued Operations*" below, our manager ceased to provide services to 1847 Asien for quarterly management fees. 1847 Asien expensed management fees of $50,000 for the year ended December 31, 2024, which is included in discontinued operations.

On August 21, 2020, 1847 Cabinet entered into an offsetting management services agreement with our manager, which was amended on October 8, 2021. Pursuant to the amended management services agreement, our manager will provide certain services to 1847 Cabinet in exchange for a quarterly management fee equal to the greater of $125,000 or 2% of adjusted net assets (as defined within the amended management services agreement). 1847 Cabinet expensed management fees of $500,000 and $375,000 for the years ended December 31, 2025 and 2024, respectively, of which $125,000 is included in discontinued operations for the year ended December 31, 2024 due to the sale of High Mountain described under "*—Discontinued Operations*" below.

On March 30, 2021, 1847 Wolo entered into an offsetting management services agreement with our manager. Pursuant to the management services agreement, our manager will provide certain services to 1847 Wolo in exchange for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined within the management services agreement). 1847 Wolo expensed management fees of $300,000 for the years ended December 31, 2025 and 2024.

Following the foreclosure sale of all of the assets of ICU Eyewear on August 5, 2024 as described under "*—Discontinued Operations*" below, our manager ceased to provide services to 1847 ICU for quarterly management fees. 1847 ICU expensed management fees of $175,000 for the year ended December 31, 2024, which is included in discontinued operations.

On December 16, 2024, 1847 CMD entered into an offsetting management services agreement with our manager. Pursuant to the management services agreement, our manager will provide certain services to 1847 CMD in exchange for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined within the management services agreement). 1847 CMD expensed management fees of $300,000 for the year ended December 31, 2025.

In addition, if the aggregate amount of management fees paid or to be paid to our manager under the offsetting management services agreements, exceeds, or is expected to exceed, 9.5% of our gross income in any

fiscal year or the parent management fee in any fiscal quarter, then the management fee to be paid by such entities shall be reduced, on a pro rata basis determined by reference to the other management fees to be paid to our manager under other offsetting management services agreements.

In addition, under our operating agreement, in the event of an acquisition of a target business or disposition of a subsidiary, our manager will receive a transaction fee of 2% of the aggregate purchase price, which percentage decreases if the purchase exceeds $50 million.

On a consolidated basis, for the year ended December 31, 2025, we expensed total management fees of $1,100,000, and for the year ended December 31, 2024, we expensed total management fees from continued operations and discontinued operations of $2,267,000 and $350,000, respectively.

Segments

Following the divestures described under "*—Discontinued Operations*" below, we now operate through four reportable segments within two primary industries. Our four reportable segments are Kyle's, ICD, CMD and Wolo. The following describes the primary revenue-generating activities of each segment.

- *Kyle's, ICD and CMD (Construction Operations)*: Revenue is derived primarily from contracts with customers for finish carpentry and related products and services, including doors, frames, trim, hardware, millwork, cabinetry, and specialty construction accessories for general contractors, commercial developers, residential builders and homeowners, and government entities.

- Wolo (Automotive Supplies Operations): Revenue is derived primarily from the sale of horn and safety warning lights for cars, trucks, industrial equipment, and emergency vehicles. Wolo sells its products to big-box national retail chains, specialty and industrial distributors, online and mail order retailers, and original equipment manufacturers.

We report all other business activities that are not reportable in the foregoing segments in corporate services. We provide general corporate services to our segments; however, these services are not considered when making operating decisions and assessing segment performance. The corporate services segment includes costs associated with executive management, financing activities and other public company-related costs.

Discontinued Operations

On February 26, 2024, Asien's entered into a general assignment for the benefit of its creditors with SG Service Co., LLC. Pursuant to the assignment, Asien's transferred ownership of all or substantially all of its right, title, and interest in, as well as custody and control of, its assets to SG Service Co., LLC in trust. Following the assignment, we retained no financial interest in Asien's. Accordingly, the results of operations of Asien's are reported as discontinued operations for the year ended December 31, 2024.

Our company was a limited guarantor of the Loan Agreement that was entered into on September 11, 2023 between the ICU Lender, 1847 ICU and ICU Eyewear. Pursuant to the Loan Agreement, the ICU Lender had a security interest in all the assets of ICU Eyewear. ICU Eyewear was in default under the Loan Agreement and consented to a foreclosure by the ICU Lender and private sale of substantially all of its assets in an Article 9 sale process, pursuant to Section 9-610 of the Uniform Commercial Code as in effect in the State of New York and Section 9-610 of the Uniform Commercial Code as in effect in the State of California. On August 5, 2024, ICU Eyecare Solutions Inc., an entity that is not affiliated with our company, was the successful bidder with a cash bid of $4,250,000. Pursuant to an agreement, dated August 5, 2024, and in consideration for such purchase price, the ICU Lender having foreclosed on its security interest in all of the assets of ICU Eyewear then conveyed all of its rights, title, and interest in all of such assets to ICU Eyecare Solutions Inc. Following the sale, we retained no financial interest in ICU Eyewear. Accordingly, the results of operations of ICU Eyewear are reported as discontinued operations for the year ended December 31, 2024.

On September 30, 2024, we entered into an asset purchase agreement with BFS and High Mountain, pursuant to which we sold substantially all of the assets of Hight Mountain to BFS for an aggregate cash only purchase price of $17,000,000, subject to certain pre-closing and post-closing adjustments. At closing, the purchase price was subject to a working capital adjustment and was also reduced by the amount of outstanding indebtedness repaid at closing or assumed by BFS, as well as certain transaction expenses. Additionally, the purchase price was reduced by $1,700,000, which may be used for certain post-closing payments, which we refer to as the Holdback Amount. During the year ended December 31, 2025, we recorded a $921,772 reduction to the Holdback Amount related to the resolution of post-closing working capital adjustments, with the offsetting impact of this adjustment recognized in discontinued operations.

Results of Operations

The following table sets forth key components of our results of operations during the years ended December 31, 2025 and 2024, both in dollars and as a percentage of our revenues.

	Years Ended December 31,			
	2025		2024	
	Amount	% of Revenues	Amount	% of Revenues
Revenues	$ 48,272,312	100.0%	$ 15,710,330	100.0%
Operating expenses				
Cost of revenues	24,354,373	50.5%	7,937,588	50.5%
Personnel	8,174,368	16.9%	6,538,872	41.6%
Depreciation and amortization	1,425,349	3.0%	655,658	4.2%
General and administrative	5,859,823	12.1%	5,000,843	31.8%
Professional fees	4,363,982	9.0%	6,896,438	43.9%
Impairment of goodwill	–	–	679,175	4.3%
Loss on abandonment of right-of-use asset	112,705	0.2%	–	–
Total operating expenses	44,290,600	91.8%	27,708,574	176.4%
Income (loss) from operations	3,981,712	8.2%	(11,998,244)	(76.4)%
Other income (expense)				
Other expense	(79,278)	(0.2)%	(1,263,983)	(8.0)%
Gain on disposal of property and equipment	43,570	0.1%	13,000	0.1%
Interest expense	(7,036,424)	(14.6)%	(4,262,224)	(27.1)%
Amortization of debt discounts	(1,538,773)	(3.2)%	(9,047,721)	(57.6)%
Loss on extinguishment of debt	(3,126,338)	(6.5)%	(4,709,793)	(30.0)%
Loss on settlement of debt	(500,000)	(1.0)%	–	–
Gain on change in fair value of derivative liabilities	185,000	0.4%	1,401,373	8.9%
Gain (loss) on change in fair value of warrant liabilities	76,904,488	159.3%	(77,638,662)	(494.2)%
Total other income (expense)	64,852,245	134.3%	(95,508,010)	(607.9)%
Net income (loss) from continuing operations before income taxes	68,833,957	142.6%	(107,506,254)	(684.3)%
Income tax benefit (provision)	(2,353,000)	(4.9)%	702,000	4.5%
Net income (loss) from continuing operations	$ 66,480,957	137.7%	$ (106,804,254)	(679.8)%

Revenues

Our total revenues were $48,272,312 for the year ended December 31, 2025, as compared to $15,710,330 for the year ended December 31, 2024. The followings tables present our revenues by segment for the years ended December 31, 2025 and 2024:

	For the Year Ended December 31, 2025				
	Kyle's	ICD	CMD	Wolo	Total
Cabinetry and millwork	$ 6,593,218	$ 33,971	$ 10,795,640	$ –	$ 17,422,829
Doors, frames, hardware, and trim	–	–	28,874,707	–	28,874,707
Specialty construction accessories	–	–	797,599	–	797,599
Automotive horns	–	–	–	916,844	916,844

	Kyle's	ICD	CMD	Wolo	Total
Automotive lighting	–	–	–	260,333	260,333
Total revenues	$ 6,593,218	$ 33,971	$ 40,467,946	$ 1,177,177	$ 48,272,312

	For the Year Ended December 31, 2024				
	Kyle's	ICD	CMD	Wolo	Total
Cabinetry and millwork	$ 5,318,608	$ 5,736,412	$ 171,641	$ –	$ 11,226,661
Doors, frames, hardware, and trim	–	–	720,700	–	720,700
Specialty construction accessories	–	–	13,523	–	13,523
Automotive horns	–	–	–	2,896,470	2,896,470
Automotive lighting	–	–	–	852,976	852,976
Total revenues	$ 5,318,608	$ 5,736,412	$ 905,864	$ 3,749,446	$ 15,710,330

Construction Operations — Kyle's, ICD, and CMD

Revenue from our construction operations is derived from contracts with customers for finish carpentry and related products and services, including doors, frames, trim, hardware, millwork, cabinetry, and specialty construction accessories.

Revenues from Kyle's increased by $1,274,610, or 24.0%, to $6,593,218 for the year ended December 31, 2025 from $5,318,608 for the year ended December 31, 2024. Such increase was primarily due to continued organic growth driven by increased demand in the residential construction market.

Revenues from ICD decreased by $5,702,441, or 99.4%, to $33,971 for the year ended December 31, 2025 from $5,736,412 for the year ended December 31, 2024. Such decrease was primarily due to the strategic repositioning of ICD's operations during 2025, including the abandonment of its warehouse facility in Reno, Nevada and the relocation of operations, as we evaluate high-growth construction market opportunities.

Revenues from CMD were $40,467,946 for the year ended December 31, 2025 and $905,864 for the period from December 16, 2024 (date of acquisition) to December 31, 2024.

Automotive Supplies Operations — Wolo

Revenue from our automotive supplies operations is derived from the sale of horn and safety warning lights for cars, trucks, industrial equipment, and emergency vehicles.

Revenues from Wolo decreased by $2,572,269, or 68.6%, to $1,177,177 for the year ended December 31, 2025 from $3,749,446 for the year ended December 31, 2024. The decrease in revenues was primarily attributable to working capital constraints on inventory and the strategic repositioning of Wolo's operations undertaken during 2025. Following a strategic review, we elected to retain and rebuild Wolo rather than divest and implemented a series of operational changes including the transition to a third-party logistics model, and a refocusing of commercial efforts on e-commerce growth channels. These actions, while necessary to establish a leaner and more sustainable operating model, resulted in reduced product availability and revenue during 2025. We believe these changes may position Wolo for improved profitability going forward.

Cost of Revenues and Gross Profit

Our total cost of revenues was $24,354,373 for the year ended December 31, 2025, as compared to $7,937,588 for the year ended December 31, 2024. Accordingly, our total gross profit was $23,917,939 for the year ended December 31, 2025, as compared to $7,772,742 for the year ended December 31, 2024.

Construction Operations — Kyle's, ICD, and CMD

Cost of revenues from our construction operations primarily consists of direct materials, including doors, frames, trim, hardware, millwork, and cabinetry, direct labor and subcontractor costs, and other costs directly attributable to contract performance.

Cost of revenues for Kyle's increased by $640,728, or 20.9%, to $3,704,185 for the year ended December 31, 2025 from $3,063,457 for the year ended December 31, 2024, consistent with the increase in revenues. Accordingly, gross profit for Kyle's increased by $633,882, or 28.1%, to $2,889,033 for the year ended December 31, 2025 from $2,255,151 for the year ended December 31, 2024. Gross margin for Kyle's improved to 43.8% for the year ended December 31, 2025 from 42.4% for the year ended December 31, 2024, reflecting operating leverage as revenue growth outpaced the increase in direct material and labor costs.

Cost of revenues for ICD decreased by $1,985,083, or 99.9%, to $1,723 for the year ended December 31, 2025 from $1,986,806 for the year ended December 31, 2024, consistent with the decrease in revenues. Accordingly, gross profit for ICD decreased by $3,717,358, or 99.1%, to $32,248 for the year ended December 31, 2025 from $3,749,606 for the year ended December 31, 2024. Gross margin for ICD is not meaningful for comparative purposes given the minimal revenue generated during the operational repositioning period.

Cost of revenues for CMD was $19,541,606 for the year ended December 31, 2025 and $389,460 for the period from December 16, 2024 (date of acquisition) to December 31, 2024. Accordingly, gross profit for CMD was $20,926,340 for the year ended December 31, 2025 and $516,404 for the period from December 16, 2024 (date of acquisition) to December 31, 2024. Gross margin for CMD was 51.7% for the year ended December 31, 2025. The reported gross margin of 57.0% for the period from December 16, 2024 (date of acquisition) to December 31, 2024 is not representative of CMD's normalized cost structure given it reflects only approximately 16 days of operations following acquisition. On a full-year proforma basis, CMD's gross margin improved to 51.7% in 2025 from 44.3% in 2024, reflecting operating leverage as revenue grew 31.5% from 2024, with direct costs growing at a lower rate.

Automotive Supplies Operations — Wolo

Cost of revenue from our automotive supplies operations primarily consists of the costs of purchased finished goods, inbound freight and tariff costs.

Cost of revenues for Wolo decreased by $1,391,006, or 55.7%, to $1,106,859 for the year ended December 31, 2025 from $2,497,865 for the year ended December 31, 2024, consistent with the decrease in revenues. Accordingly, gross profit for Wolo decreased by $1,181,263, or 94.4%, to $70,318 for the year ended December 31, 2025 from $1,251,581 for the year ended December 31, 2024. Gross margin for Wolo decreased to 6.0% for the year ended December 31, 2025 from 33.4% for the year ended December 31, 2024, primarily due to working capital constraints on inventory and reduced product availability during the operational repositioning period, which resulted in fixed product costs being absorbed over a significantly lower revenue base.

Personnel Costs

Personnel costs include employee salaries and bonuses, and related payroll taxes, as well as health insurance premiums, 401(k) contributions, and training costs. Our total personnel costs were $8,174,368 for the year ended December 31, 2025, as compared to $6,538,872 for the year ended December 31, 2024.

Construction Operations — Kyle's, ICD, and CMD

Personnel costs for Kyle's increased by $49,421, or 4.2%, to $1,237,937 for the year ended December 31, 2025 from $1,188,516 for the year ended December 31, 2024. Such increase was primarily due to increased headcount to support revenue growth. As a percentage of revenues, personnel costs for Kyle's were 18.8% and 22.3% for the years ended December 31, 2025 and 2024, respectively.

Personnel costs for ICD decreased by $2,639,299, or 99.2%, to $21,760 for the year ended December 31, 2025 from $2,661,059 for the year ended December 31, 2024. Such decrease was primarily due to the reduction in workforce resulting from the operational repositioning described above. As a percentage of revenues, personnel costs for ICD were 64.1% and 46.4% for the years ended December 31, 2025 and 2024, respectively.

Personnel costs for CMD were $6,582,923 for the year ended December 31, 2025 and $310,953 for the period from December 16, 2024 (date of acquisition) to December 31, 2024. As a percentage of revenues, personnel costs for CMD were 16.3% and 34.3% for the year ended December 31, 2025 and for the period from December 16, 2024 (date of acquisition) to December 31, 2024, respectively.

Automotive Supplies Operations — Wolo

Personnel costs for Wolo decreased by $761,610, or 68.7%, to $347,069 for the year ended December 31, 2025 from $1,108,679 for the year ended December 31, 2024. Such decrease was primarily due to the reduction in workforce in transition to a third-party logistics model. As a percentage of revenues, personnel costs for Wolo were 29.5% and 29.6% for the years ended December 31, 2025 and 2024, respectively.

Corporate Services

Personnel costs for the corporate services segment were $(15,321) for the year ended December 31, 2025 compared to $1,269,665 for the year ended December 31, 2024. Corporate personnel costs reflect intercompany allocations of corporate compensation costs to the operating subsidiaries, which eliminate in consolidation, resulting in a net credit balance for the year ended December 31, 2025.

Depreciation and Amortization

Our total depreciation and amortization expense increased by $769,691, or 117.4%, to $1,425,349 for the year ended December 31, 2025 from $655,658 for the year ended December 31, 2024. Such an increase was primarily a result of intangibles acquired in connection with the acquisition of CMD.

General and Administrative Expenses

Our general and administrative expenses consist primarily of insurance expense, rent expense, management fees, advertising, bank fees, bad debt expense, and other general expenses incurred in connection with general operations. Our total general and administrative expenses were $5,859,823 for the year ended December 31, 2025, as compared to $5,000,843 for the year ended December 31, 2024.

Construction Operations — Kyle's, ICD, and CMD

General and administrative expenses for Kyle's increased by $162,006, or 15.5%, to $1,208,809 for the year ended December 31, 2025 from $1,046,803 for the year ended December 31, 2024. Such increase was primarily due to higher allocated corporate costs and office-related expenses. As a percentage of revenues, general and administrative expenses for Kyle's were 18.3% and 19.7% for the years ended December 31, 2025 and 2024, respectively.

General and administrative expenses for ICD decreased by $411,539, or 39.2%, to $638,763 for the year ended December 31, 2025 from $1,050,302 for the year ended December 31, 2024. Such decrease was primarily due to reduced operating costs resulting from the abandonment of the warehouse facility and workforce reductions, partially offset by costs incurred in connection with the operational repositioning. As a percentage of revenues, general and administrative expenses for ICD are not meaningful given the minimal revenue generated during the year.

General and administrative expenses for CMD were $3,545,325 for the year ended December 31, 2025 and $69,239 for the period from December 16, 2024 (date of acquisition) to December 31, 2024. As a percentage of revenues, general and administrative expenses for CMD were 8.8% and 7.6% for the year ended December 31, 2025 and for the period from December 16, 2024 (date of acquisition) to December 31, 2024, respectively.

Automotive Supplies Operations — Wolo

General and administrative expenses for Wolo decreased by $382,151, or 35.8%, to $684,741 for the year ended December 31, 2025 from $1,066,892 for the year ended December 31, 2024. Such decrease was primarily due to reduced operating costs in connection with the operational repositioning, including the termination of the warehouse lease and the transition to a third-party logistics model. As a percentage of revenues, general and administrative expenses for Wolo were 58.2% and 28.5% for the years ended December 31, 2025 and 2024, respectively.

Corporate Services

General and administrative expenses for the corporate services segment were $(217,815) for the year ended December 31, 2025 compared to $1,767,607 for the year ended December 31, 2024. Corporate general and administrative expenses reflect intercompany allocations of corporate overhead costs to the operating subsidiaries, which eliminate in consolidation, resulting in a net credit balance for the year ended December 31, 2025. The decrease compared to the prior year reflects both the increased allocation of corporate costs to operating subsidiaries and a reduction in overall corporate overhead.

Professional Fees

Our total professional fees were $4,363,982 for the year ended December 31, 2025, as compared to $6,896,438 for the year ended December 31, 2024.

Construction Operations — Kyle's, ICD, and CMD

Professional fees for Kyle's decreased by $16,573, or 72.1%, to $6,400 for the year ended December 31, 2025 from $22,973 for the year ended December 31, 2024. Such decrease was primarily due to reduced legal and consulting fees. As a percentage of revenues, professional fees for Kyle's were 0.1% and 0.4% for the years ended December 31, 2025 and 2024, respectively.

Professional fees for ICD decreased by $48,292, or 93.2%, to $3,518 for the year ended December 31, 2025 from $51,810 for the year ended December 31, 2024. Such decrease was primarily due to the changes described above. As a percentage of revenues, professional fees for ICD were 10.4% and 0.9% for the years ended December 31, 2025 and 2024, respectively.

Professional fees for CMD were $1,172,529 for the year ended December 31, 2025 and $39,948 for the period from December 16, 2024 (date of acquisition) to December 31, 2024. As a percentage of revenues, professional fees for CMD were 2.9% and 4.4% for the year ended December 31, 2025 and for the period from December 16, 2024 (date of acquisition) to December 31, 2024, respectively.

Automotive Supplies Operations — Wolo

Professional fees for Wolo decreased by $133,263, or 59.9%, to $89,097 for the year ended December 31, 2025 from $222,360 for the year ended December 31, 2024. Such decrease was primarily due to the changes described above. As a percentage of revenues, professional fees for Wolo were 7.6% and 5.9% for the years ended December 31, 2025 and 2024, respectively.

Corporate Services

Professional fees for the corporate services segment decreased by $3,466,909, or 52.9%, to $3,092,438 for the year ended December 31, 2025 from $6,559,347 for the year ended December 31, 2024. Such decrease was primarily due to lower non-recurring acquisition-related fees and transaction costs incurred in the prior year in connection with the CMD acquisition and public equity offerings, partially offset by ongoing public company legal, audit, and compliance costs.

Impairment of Goodwill

For the years ended December 31, 2025 and 2024, we recorded impairments of goodwill of $0 and $679,175, respectively.

Loss on Abandonment of Right-of-Use Asset

In May 2025, ICD ceased use of its warehouse facility in Reno, Nevada, as part of the operational repositioning described above. As we determined ICD no longer had the right to control the use of the identified asset, the associated right-of-use asset was written off and we recognized a loss on abandonment of $112,705 for the year ended December 31, 2025.

Total Other Income (Expense)

We had $64,852,245 in total other income, net, for the year ended December 31, 2025, as compared to other expense, net, of $95,508,010 for the year ended December 31, 2024. Other income, net, for the year ended December 31, 2025 consisted of a gain on change in fair value of warrant liabilities of $76,904,488, a gain on change in fair value of derivative liabilities of $185,000 and a gain on disposal of property and equipment of $43,570, offset by interest expense of $7,036,424, a loss on extinguishment of debt of $3,126,338, amortization of debt discounts of $1,538,773, a loss on settlement of debt of $500,000 and other expense of $79,278, while other expense, net, for the year ended December 31, 2024 consisted of a loss on change in fair value of warrant liabilities of $77,638,662, amortization of debt discounts of $9,047,721, a loss on extinguishment of debt of $4,709,793, interest expense of $4,262,224 and other expense of $1,263,983, offset by a gain on change in fair value of derivative liabilities of $1,401,373 and a gain on disposal of property and equipment of $13,000.

Income Tax Benefit (Provision)

We had an income tax expense of $2,353,000 for the year ended December 31, 2025, as compared to an income tax benefit of $702,000 for the year ended December 31, 2024.

Net Income (Loss) from Continuing Operations

As a result of the cumulative effect of the factors described above, we had a net income from continuing operations of $66,480,957 for the year ended December 31, 2025, as compared to a net loss from continuing operations of $106,804,254 for the year ended December 31, 2024.

Liquidity and Capital Resources

As of December 31, 2025, we had cash and cash equivalents of $1,987,301, an accumulated deficit of $109,599,852, and a working capital deficit of $43,065,927. For the year then ended, we generated operating income of $3,981,712 and net cash provided by operating activities of $3,359,054. To date, we have financed our operations primarily through revenue generated from operations, cash proceeds from financing activities, borrowings, and equity contributions by our shareholders.

Notwithstanding current-year operating income and positive operating cash flows, we do not expect to have sufficient cash and other liquid resources to meet our obligations as they become due over the next twelve months, primarily due to the magnitude of our current liabilities and significant near-term debt maturities. These conditions, considered in the aggregate, raise substantial doubt about our company's ability to continue as a going concern within one year after the date our consolidated financial statements are issued.

Management plans to address these conditions by securing additional capital through debt and equity financing, including potential public and private offerings of our securities, evaluating opportunities to refinance or extend the maturity of existing debt obligations, implementing reductions in discretionary operating expenditures to the extent practicable, and exploring strategic alternatives with respect to its operating subsidiaries to reduce debt obligations. Management has evaluated whether it is probable that these plans would be effectively implemented and, if so, whether they would mitigate the relevant conditions or events that raise substantial doubt within the next twelve months. Because these plans are subject to market conditions and reliance on third parties, and because there is no assurance that we will be able to raise capital on acceptable terms or at all, management has concluded that substantial doubt about our company's ability to continue as a going concern has not been alleviated as of the date our consolidated financial statements are issued.

Our consolidated financial statements have been prepared assuming our company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Our consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amounts and classification of liabilities that might result should we be unable to continue as a going concern. If we are unable to obtain adequate capital, we could be forced to cease or curtail our operations.

We also believe additional funds are required to execute our business plan and our strategy of acquiring additional businesses. The funds required to execute our business plan will depend on the size, capital structure and purchase price consideration that the seller of a target business deems acceptable in a given transaction. The amount of funds needed to execute our business plan also depends on what portion of the purchase price of a target business the seller of that business is willing to take in the form of seller notes or our equity or equity in one of our subsidiaries. We will seek growth as funds become available from cash flow, borrowings, additional capital raised privately or publicly, or seller retained financing.

Our primary use of funds will be for future acquisitions, public company expenses including regular distributions to our shareholders, investments in future acquisitions, payments to our manager pursuant to the management services agreement, potential payment of profit allocation to our manager and potential put price to our manager in respect of the allocation shares it owns. The management fee, expenses, potential profit allocation and potential put price are paid before distributions to shareholders and may be significant and exceed the funds we hold, which may require us to dispose of assets or incur debt to fund such expenditures. See Item 1 "*Business—Our Manager*" for more information concerning the management fee, the profit allocation and put price.

The amount of management fee paid to our manager by us is reduced by the aggregate amount of any offsetting management fees, if any, received by our manager from any of our businesses. As a result, the management fee paid to our manager may fluctuate from quarter to quarter. The amount of management fee paid to our manager may represent a significant cash obligation. In this respect, the payment of the management fee will reduce the amount of cash available for distribution to shareholders.

Our manager, as holder of 100% of our allocation shares, is entitled to receive a twenty percent (20%) profit allocation as a form of preferred equity distribution, subject to an annual hurdle rate of eight percent (8%), as follows. Upon the sale of a subsidiary, our manager will be paid a profit allocation if the sum of (i) the excess of the gain on the sale of such subsidiary over a high-water mark plus (ii) the subsidiary's net income since its acquisition by us exceeds the 8% hurdle rate. The 8% hurdle rate is the product of (i) a 2% rate per quarter, multiplied by (ii) the number of quarters such subsidiary was held by us, multiplied by (iii) the subsidiary's average share (determined based on gross assets, generally) of our consolidated net equity (determined according to GAAP, with certain adjustments). In certain circumstances, after a subsidiary has been held for at least 5 years, our manager may also trigger a profit allocation with respect to such subsidiary (determined based solely on the subsidiary's net income since its acquisition). The amount of profit allocation may represent a significant cash payment and is senior in right to payments of distributions to our shareholders. Therefore, the amount of profit allocation paid, when paid, will reduce the amount of cash available to us for our operating and investing activities, including future acquisitions. See Item 1 "*Business—Our Manager—Our Manager as an Equity Holder—Manager's Profit Allocation*" for more information on the calculation of the profit allocation.

Our operating agreement also contains a supplemental put provision, which gives our manager the right, subject to certain conditions, to cause us to purchase the allocation shares then owned by our manager upon termination of the management services agreement. The amount of put price under the supplemental put provision is determined by assuming all of our subsidiaries are sold at that time for their fair market value and then calculating the amount of profit allocation would be payable in such a case. If the management services agreement is terminated for any reason other than our manager's resignation, the payment to our manager could be as much as twice the amount of such hypothetical profit allocation. As is the case with profit allocation, the calculation of the put price is complex and based on many factors that cannot be predicted with any certainty at this time. See Item 1 "*Business—Our Manager—Our Manager as an Equity Holder—Supplemental Put Provision*" for more information on the calculation of the put price. The put price obligation, if our manager exercises its put right, will represent a significant cash payment and is senior in right to payments of distributions to our shareholders. Therefore, the amount of put price will reduce the amount of cash available to us for our operating and investing activities, including future acquisitions.

Summary of Cash Flow

The following table provides detailed information about our net cash flow for the period indicated:

Cash Flow

	For the Years Ended December 31,	
	2025	**2024**
Net cash provided by (used in) operating activities from continuing operations	$ 3,359,054	$ (14,635,636)
Net cash provided by (used in) investing activities	(1,090,989)	891,802
Net cash provided by (used in) financing activities from continuing operations	(4,142,182)	16,931,807
Net change in cash and cash equivalents and restricted cash	(1,874,117)	3,187,973
Cash and cash equivalents at the beginning of year	3,861,418	673,445
Cash and cash equivalents and restricted cash at the end of year	$ 1,987,301	$ 3,861,418

Net cash provided by operating activities from continuing operations was $3,359,054 for the year ended December 31, 2025, as compared to net cash used in operating activities from continuing operations of $14,635,636 for the year ended December 31, 2024. Significant factors affecting the increase in net cash used in operating activities were a result of a change from a net loss to net income and increased accounts payable and accrued expenses, offset by increased accounts receivable and contract assets.

Net cash used in investing activities was $1,090,989 for the year ended December 31, 2025, as compared to net cash provided by investing activities of $891,802 for the year ended December 31, 2024. The decrease in the net cash used in investing activities was primarily a result of a reduction in the Holdback Amount and purchases of property and equipment, offset by proceeds received in the disposal of property and equipment and proceeds received in the sale of High Mountain.

Net cash used in financing activities was $4,142,182 for the year ended December 31, 2025, as compared to net cash provided by financing activities from continuing operations of $16,931,807 for the year ended December 31, 2024. The decrease in the net cash provided by financing activities was primarily a result of decreased debt or equity offerings, as well as increased repayments of notes payable, during 2024.

Debt

The following table shows aggregate figures for our total debt that is coming due in the short and long term as of December 31, 2025. For a complete description of the terms of our outstanding debt, please see Notes 14, 15 and 16 to our consolidated financial statements included elsewhere in this report.

	Short-Term	**Long-Term**	**Total Debt**
Notes Payable			
Vehicle loans	$ 8,530	$ –	$ 8,530
6% Subordinated promissory note	500,000	–	500,000
Purchase and sale of future revenues loan	405,000	–	405,000
20% OID subordinated promissory note	3,313,820	–	3,313,820
12% subordinated promissory note for services	840,000	–	840,000

25% OID subordinated promissory note	1,455,600	–	1,455,600
Total notes payable	6,522,950	–	6,522,950
Less: debt discounts	(46,829)	–	(46,829)
Total notes payable, net	6,476,121	–	6,476,121
Related Party Notes Payable			
Related party promissory note	641,972	623,354	1,265,326
Convertible Notes Payable			
Secured convertible promissory notes	22,751,184	–	22,751,184
Less: debt discounts	–	–	–
Total convertible notes payable, net	22,751,184	–	22,751,184
Finance Leases			
Financing leases	192,505	230,693	423,198
Combined total debt	$ 30,108,611	$ 854,047	$ 30,962,658
Less: combined debt discounts	(46,829)	–	(46,829)
Combined total debt, net	$ 30,061,782	$ 854,047	$ 30,915,829

Contractual Obligations

Our principal commitments consist mostly of obligations under the loans described above, the operating leases described under Item 2 "*Properties*" and other contractual commitments described below.

We have engaged our manager to manage our day-to-day operations and affairs. Our relationship with our manager will be governed principally by the following agreements:

- the management services agreement and offsetting management services agreements relating to the management services our manager will perform for us and the businesses we own and the management fee to be paid to our manager in respect thereof; and
- our operating agreement setting forth our manager's rights with respect to the allocation shares it owns, including the right to receive profit allocations from us, and the supplemental put provision relating to our manager's right to cause us to purchase the allocation shares it owns.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

The following discussion relates to critical accounting policies for our consolidated company. The preparation of financial statements in conformity with GAAP requires our management to make assumptions, estimates and judgments that affect the amounts reported, including the notes thereto, and related disclosures of commitments and contingencies, if any. We have identified certain accounting policies that are significant to the preparation of our financial statements. These accounting policies are important for an understanding of our financial condition and results of operation. Critical accounting policies are those that are most important to the portrayal of our financial condition and results of operations and require management's difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements:

Business Combinations. We account for business combinations under the acquisition method of accounting in accordance with Accounting Standards Codification, or ASC, 805, " *Business Combinations*." Under the acquisition method, the purchase price is allocated to the tangible and intangible assets acquired, liabilities assumed, and any noncontrolling interest based on their estimated fair values at the acquisition date. The excess of the purchase price over the net fair values of assets acquired and liabilities assumed is recognized as goodwill. Fair values are determined using recognized valuation methodologies including the income, cost, and market approaches in accordance with ASC 820, "*Fair Value Measurement*," and incorporate assumptions such as discount rates, royalty rates, and the amount and timing of future cash flows. Purchase price allocations are initially based on preliminary estimates and may be revised as additional information becomes available, up to one year from the acquisition date. Acquisition-related costs are expensed as incurred.

Long-Lived Assets. We review the carrying value of long-lived assets, including property and equipment, right of use assets, and definite-lived intangible assets for impairment in accordance with ASC 360, "*Property, Plant, and Equipment*," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These events and circumstances may include significant decreases in the market price of an asset or asset group, significant changes in the extent or manner in which an asset or asset group is being used or in its physical condition, a significant change in legal factors or in the business climate, a history or forecast of operating losses or negative cash flows, significant disposal activity, or a significant decline in revenue or adverse changes in the economic environment. If such facts indicate a potential impairment, we assess recoverability by comparing the carrying value of the asset group to the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the carrying value exceeds the undiscounted cash flows, we measure the impairment loss as the difference between the carrying amount and the estimated fair value of the asset group, determined using appropriate valuation methodologies, which would typically include discounted cash flows.

Goodwill. In accordance with ASC 350, "*Intangibles—Goodwill and Other*," we test goodwill for impairment annually on October 1, or more frequently when events or circumstances indicate an impairment may have occurred. When assessing goodwill for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative assessment considers factors, including the current operating environment, industry and market conditions, and overall financial performance. If we bypass the qualitative assessment, or conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform a quantitative assessment by comparing the estimated fair value of the reporting unit to its carrying amount. We estimate the fair value of its reporting units using the present value of estimated future cash flows, which requires considerable management judgment regarding the impact of operating and macroeconomic changes. Significant assumptions include past performance, current and anticipated market conditions, forecasted growth rates, and estimated discount rates. If the fair value of a reporting unit is less than its carrying amount, an impairment charge is recognized for the difference.

Warrant Liabilities. We account for warrants as either equity-classified or liability-classified instruments based on an assessment of the specific terms of the warrants in accordance with ASC 480 and ASC 815-40, "*Contracts in Entity's Own Equity*." The assessment considers whether the warrants are freestanding financial instruments, meet the definition of a liability, and whether they meet all of the requirements for equity classification, including whether the warrants are indexed to our own common shares and whether the warrant holders could potentially require net cash settlement in a circumstance outside of our control. Warrants that meet all the criteria for equity classification are recorded as a component of additional paid-in capital at the time of issuance. Warrants that do not meet all the criteria for equity classification are recorded at fair value on the date of issuance, with changes in fair value recognized in the consolidated statements of operations each period.

Income Taxes. We account for income taxes under the asset and liability method in accordance with ASC 740, " *Income Taxes*." Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and establish a valuation allowance if, based on the weight of available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized. We recognize the tax benefit of an uncertain tax position only if it is more likely than not that the position will be sustained upon examination by the taxing authority, including resolution of any related appeals or litigation. The tax benefit recognized is measured as the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense.

EBITDA and Adjusted EBITDA

Our consolidated Adjusted EBITDA was $9,829,540 and $(3,309,879) for the years ended December 31, 2025 and 2024, respectively. Adjusted EBITDA for CMD (with prior-year results presented on a pro forma basis for comparability) was $14,259,100 and $7,736,119 for the years ended December 31, 2025 and 2024, respectively. Adjusted EBITDA for Kyle's was $1,127,303 and $561,713 for the years ended December 31, 2025 and

2024, respectively. Adjusted EBITDA for ICD was $(381,793) and $571,752 for the years ended December 31, 2025 and 2024, respectively. Adjusted EBITDA for Wolo was $(598,127) and $(470,789) for the years ended December 31, 2025 and 2024, respectively.

Reconciliation of EBITDA and Adjusted EBITDA

We define EBITDA as earnings before interest, taxes and depreciation and amortization. Adjusted EBITDA is defined as EBITDA before other income (expense), gain on disposal of property and equipment, amortization of debt discounts, loss on settlement of debt, loss on extinguishment of debt, gain (loss) on change in fair value of warrant liabilities, gain on change in fair value of derivative liabilities, impairment of goodwill and intangible assets, loss on abandonment of right-of-use asset, non-recurring professional and acquisition-related fees, and management fees. Both EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, and should not be considered in isolation of, or as a substitute for, earnings as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. We believe that the presentation of EBITDA and Adjusted EBITDA is relevant and useful by enhancing the readers' ability to understand our operating performance. Our management utilizes EBITDA as a means to measure performance.

Some limitations of EBITDA and adjusted EBITDA are:

- EBITDA and Adjusted EBITDA do not reflect the interest expense of, or the cash requirements necessary to, service interest or principal payments on our debt;
- EBITDA and Adjusted EBITDA do not reflect income tax payments that may represent a reduction in cash available to us;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future; and
- other companies may calculate EBITDA or Adjusted EBITDA differently or not at all, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider EBITDA and Adjusted EBITDA alongside other financial performance measures, including net income and our audited consolidated financial statements presented elsewhere in the report in accordance with GAAP.

The table below reconciles consolidated EBITDA and Adjusted EBITDA, both non-GAAP measures, to GAAP net income (loss) for years ended December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
Net income (loss)	$ 65,559,185	$ (100,527,409)
Net (income) loss from discontinued operations	921,772	(6,276,845)
Interest expense	7,036,424	4,262,224
Income tax provision (benefit)	2,353,000	(702,000)
Depreciation and amortization	1,425,349	655,658
EBITDA	77,295,730	(102,588,372)
Other expense	79,278	1,263,983
Gain on disposal of property and equipment	(43,570)	(13,000)
Amortization of debt discounts	1,538,773	9,047,721
Loss on extinguishment of debt	3,126,338	4,709,793
Loss on settlement of debt	500,000	–
(Gain) loss on change in fair value of warrant liabilities	(76,904,488)	77,638,662
Gain on change in fair value of derivative liabilities	(185,000)	(1,401,373)
Impairment of goodwill	–	679,175
Loss on abandonment of right-of-use asset	112,705	–
Non-recurring professional fees and acquisition-related fees	3,209,774	5,086,532
Management fees	1,100,000	2,267,000
Adjusted EBITDA	$ 9,829,540	$ (3,309,879)

The table below reconciles CMD's EBITDA and Adjusted EBITDA, both non-GAAP measures, to GAAP net income for the years ended December 31, 2025 and 2024, with prior-year results presented on a pro forma basis for comparability (see *Note 5—Business Combinations* to our consolidated financial statements presented elsewhere in this report for the pro forma information).

	Year Ended December 31,	
	2025	2024
Net income	$ 6,927,579	$ 7,463,469
Interest expense	399	53,632
Income tax provision	1,704,000	49,000
Depreciation and amortization	914,307	211,181
EBITDA	9,546,285	7,777,282
Other (income) expense	79,278	(41,163)
Non-recurring professional and acquisition-related fees	1,125,954	–
Management fees	300,000	–
1847 corporate-related allocated expenses	3,207,583	–
Adjusted EBITDA	$ 14,259,100	$ 7,736,119

The table below reconciles Kyle's EBITDA and Adjusted EBITDA, both non-GAAP measures, to GAAP net loss for the years ended December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
Net loss	$ (1,280,431)	$ (1,004,216)
Interest expense	113,552	90,841
Income tax provision (benefit)	650,000	(157,000)
Depreciation and amortization	494,548	575,835
EBITDA	(22,331)	(494,540)
Other expense	–	136,192
Loss on extinguishment of debt	458,218	
Impairment of goodwill	–	355,207
Management fees	250,000	187,500
1847 corporate-related allocated expenses	441,416	377,354
Adjusted EBITDA	$ 1,127,303	$ 561,713

The table below reconciles ICD's EBITDA and Adjusted EBITDA, both non-GAAP measures, to GAAP net loss for the years ended December 31, 2025 and 2024.

	Year Ended December 31,	

	2025	2024
Net loss	$ (714,310)	$ (1,075,592)
Interest expense	512	76,206
Income tax benefit	(1,000)	(597,000)
Depreciation and amortization	13,870	79,547
EBITDA	(700,928)	(1,516,839)
Other expense	–	1,128,000
Gain on disposal of property and equipment	(43,570)	(13,000)
Amortization of debt discounts	–	64,306
Impairment of goodwill	–	323,968
Loss on abandonment of right-of-use asset	112,705	–
Management fees	250,000	187,500
1847 corporate-related allocated expenses	–	397,817
Adjusted EBITDA	$ (381,793)	$ 571,752

The table below reconciles Wolo's EBITDA and Adjusted EBITDA, both non-GAAP measures, to GAAP net loss for the years ended December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
Net loss	$ (1,153,494)	$ (1,292,354)
Interest expense	102,629	142,656
Income tax provision	–	3,000
Depreciation and amortization	276	276
EBITDA	(1,050,589)	(1,146,422)
Other expense	–	72
Management fees	300,000	300,000
1847 corporate-related expenses	152,462	375,561
Adjusted EBITDA	$ (598,127)	$ (470,789)

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The full text of our audited consolidated financial statements begins on page F-1 of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2025, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. As a result of this evaluation, our principal executive officer and principal financial officer have concluded that, as of December 31, 2025, our disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting described below. Notwithstanding the identified material weaknesses, management, including our chief executive officer and chief financial officer, believes the consolidated financial statements included in this report fairly represent, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with GAAP.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Management has evaluated the effectiveness of our internal control over financial reporting based on criteria established in *Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission*. As a result of this assessment, management has concluded that, as of December 31, 2025, our internal control over financial reporting was not effective due to the material weaknesses in internal control over financial reporting described below. As a smaller reporting company, we are not required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm in this report.

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and our board of directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Material Weaknesses in Internal Control over Financial Reporting

We identified material weaknesses in our internal controls over financial reporting. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses identified include:

- we do not have written documentation of our internal control policies and procedures, including written policies and procedures to ensure the correct application of accounting and financial reporting with respect to the current requirements of GAAP and SEC disclosure requirements;
- we failed to maintain a sufficient complement of personnel in our accounting and reporting department to ensure adequate segregation of duties such that appropriate review and monitoring of its financial records are executed; and
- we did not design and maintain effective internal controls related to our information technology general controls in the areas of user access and program change-management over certain information technology systems that support our financial reporting processes.

Notwithstanding the material weakness, we believe that our consolidated financial statements contained in this report fairly present our financial position, results of operations and cash flows for the periods covered by this report in all material respects.

Our management, with the oversight of our audit committee, has initiated steps and plans to take additional measures to remediate the underlying causes of the material weakness, which we currently believe will be primarily through revising precision level of management review controls and gaining additional assurance regarding our outside service providers' quality control procedures. It is possible that we may determine that additional remediation steps will be necessary in the future.

Planned Remediation of Material Weaknesses

Our management has been actively engaged in developing and implementing remediation plans to address the material weaknesses described above. These remediation efforts are ongoing and include or are expected to include:

- increasing personnel resources and technical accounting expertise within the accounting function (until we have sufficient technical accounting resources, we have engaged external consultants to provide support and to assist us in our evaluation of more complex applications of GAAP);
- engaging internal control consultants to assist us in performing a financial reporting risk assessment as well as identifying and designing our system of internal controls necessary to mitigate the risks identified; and
- preparation of written documentation of our internal control policies and procedures.

We continue to enhance corporate oversight over process-level controls and structures to ensure that there is an appropriate assignment of authority, responsibility, and accountability to enable remediation of our material weaknesses. While management believes that the steps that we have taken and plan to take will be sufficient to remediate the identified material weaknesses and improve the overall system of internal control over financial reporting, the material weaknesses cannot be considered remediated until the applicable relevant controls operate for a sufficient period of time. As we continue to evaluate, and work to improve, our internal control over financial reporting, management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary.

Changes in Internal Control Over Financial Reporting

Other than the remedial changes described above, there were no changes in our internal control over financial reporting during the fourth quarter of 2025 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

ITEM 9B. OTHER INFORMATION.

We have no information to disclose that was required to be in a report on Form 8-K during the fourth quarter of fiscal year 2025 but was not reported.

None of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the fourth quarter of fiscal year 2025.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors and Executive Officers

Set forth below is information regarding our directors and executive officers as of the date of this report.

Name	Age	Position
Ellery W. Roberts	55	Chairman, Chief Executive Officer and President
Vernice L. Howard	55	Chief Financial Officer
Eric Vandam	55	Chief Operating Officer
Glyn C. Milburn	55	Vice President of Operations
Robert D. Barry	82	Director
Michele A. Chow-Tai	62	Director
Clark R. Crosnoe	57	Director
Paul A. Froning	55	Director
Lawrence X. Taylor	61	Director

Ellery W. Roberts. Mr. Roberts has been our Chairman, Chief Executive Officer and President since our inception in January 2013. Mr. Roberts brings over 20 years of private equity investing experience to our company. In July 2011, Mr. Roberts formed The 1847 Companies LLC, a company that is no longer active, where he began investing his own personal capital and capital of high net worth individuals in select transactions. Prior to forming The 1847 Companies LLC, Mr. Roberts was the co-founder and was co-managing principal of RW Capital Partners LLC from October 2009 to June 2011. Mr. Roberts was a founding member of Parallel Investment Partners, LP (formerly SKM Growth Investors, LP), a Dallas-based private equity fund focused on re-capitalizations, buyouts and growth capital investments in lower middle market companies throughout the United States. Previously, Mr. Roberts served as principal with Lazard Group LLC, a senior financial analyst at Colony Capital, Inc., and a financial analyst with the Corporate Finance Division of Smith Barney Inc. (now known as Morgan Stanley Smith Barney LLC). Mr. Roberts has also served as the chairman of the board of Polished.com Inc. since April 2019 and has also been a director of Western Capital Resources, Inc. since May 2010. Mr. Roberts received his B.A. degree in English from Stanford University. We believe Mr. Roberts is qualified to serve on our board due to his extensive senior management experience in the industry in which we operate, having served as founder or executive of various other management, investment and corporate advisory companies.

Vernice L. Howard. Ms. Howard has served as our Chief Financial Officer since September 2021. Ms. Howard has over 30 years of experience in the fields of finance and accounting. Prior to joining us, she worked for Independent Electrical Contractors, Inc. and its affiliates for over eleven years as chief financial officer, where she was responsible for providing leadership to the organization in the areas of finance, human resources and general facilities administration, in addition to setting policies, procedures, strategies, practices and overseeing the organization's assets. The foundation of Ms. Howard's accounting and finance experience began with public accounting for several years gaining experience in tax and auditing in the entertainment and nonprofit sectors as chief financial officer for The Cronkite Ward Company, a television production company, and director of finance for Community Action Group (CAG), a nonprofit organization. Before her work with Independent Electrical Contractors, Inc., Ms. Howard's professional background established an emphasis in forensic accounting. Ms. Howard is a founding member of Chief, which is a DC based vetted network of C-level or rising VP's supporting and connecting exceptional women. Ms. Howard holds a Master of Business Administration in Finance from Trinity Washington University Graduate School of Business Management and Bachelor of Science in Accounting from Duquesne University.

Eric Vandam. Mr. Vandam has served as our Chief Operating Officer since August 2024. He previously served as our Chief Operating Officer from January 2022 to February 2023, after which time he served as an advisor. Mr. Vandam brings 30 years of experience leading operations from a diverse range of positions. He worked for over 20 years at companies holding a direct coaching relationship with Toyota implementing the Toyota Production System within the furniture, automotive, and agriculture industries. In August 2018, he began his own consulting practice, VanDam Consulting, LLC. He also served as Vice President of Operations at Crenlo, LLC, a leading manufacturer within the commercial cab and enclosure industries, from December 2018 to November 2019. Prior to that, he worked at Heritage Home Group, LLC, a leader in designing,

manufacturing, sourcing and retailing home furnishings, from May 2016 to July 2018, holding the positions of Vice President of Business Improvement and Vice President of Contract Furniture Division. He also held multiple positions, including, among others, General Manager of Holland Campus Operations, Executive Account Manager and Director of Operations of Greenhouse Seating Operations, at Herman Miller, Inc., a leading global company that designs, manufactures and distributes interior furnishings, from 2000 to 2016. Mr. VanDam has a B.S. degree in Business Management from the University of Phoenix

Glyn C. Milburn. Mr. Milburn has served as our Vice President of Operations since February 2023 and previously served on our board of directors from August 2022 to March 2023. Since February 2016, Mr. Milburn has served as a partner at Jimmy Blackman & Associates, a full-service Government and Public Affairs firm, where he is responsible for business strategy, client management, communications and campaign management for a client portfolio comprised of large public safety labor unions, banking/finance companies, and hotel operators across the State of California. From April 2013 to January 2016, Mr. Milburn served as a special assistant in the City of Los Angeles where he held two positions in the City of Los Angeles, one in the Office of Los Angeles Mayor Eric Garcetti's Office of Economic Development and another in the Office of Los Angeles Councilman Dennis Zine. From August 2012 to March 2013, Mr. Milburn co-Founded Provident Investment Advisors LLC, a special investment vehicle for energy, technology and healthcare ventures, where he served as managing member. Mr. Milburn holds a B.A. degree in Public Policy from Stanford University.

Robert D. Barry. Mr. Barry has been a member of our board of directors since January 2014. He served as the chief accounting officer of our former subsidiary Polished.com Inc. from July 2021 to March 2024 and previously served as its chief financial officer from January 2019 to July 2021. He also served as the controller of our former subsidiary Neese, Inc. from July 2017 until our sale of Neese, Inc. in April 2021. From April 2013 until August 2016, Mr. Barry was chief executive officer and chief financial officer of Pawn Plus Inc. Prior to that, Mr. Barry served as executive vice president and chief financial officer of Regional Management Corp., a consumer loan company, from March 2007 to January 2013. Prior to joining Regional Management Corp., Mr. Barry was the managing member of AccessOne Mortgage Company, LLC from 1997 to 2007. Prior to his time at AccessOne, Mr. Barry was executive vice president and chief financial officer for Regional Acceptance Corporation, a consumer finance company, and prior to that he was a financial institutions partner at KPMG LLP. Mr. Barry is a Certified Public Accountant licensed in North Carolina and Georgia. We believe Mr. Barry is qualified to serve on our board of directors due to his years of relevant financial and business expertise.

Michele A. Chow-Tai. Ms. Chow-Tai has been a member of our board of directors since August 2023. Ms. Chow-Tai is an experienced professional in global banking and financial services with more than 32 years of industry expertise. For nearly seven years, she has been leading business development initiatives, fundraising, and acquisition strategies at Fairview Capital Partners, a private equity and venture capital firm, where she has been responsible for delivering a significant increase in the firm's assets under management and has forged strong relationships with major institutional investors in the US and abroad. Prior to her work in private equity, Ms. Chow-Tai spent over two decades at leading global banks and financial services organizations, where she led multiple business initiatives, managed risk, and helped clients navigate the complexities of global markets. Ms. Chow-Tai served as Board Chair for the City University of New York - York College Foundation for 10 years. She is currently a Board Member of the National Association of Securities Professionals – New York Chapter, Board Member of the NASP-NY Foundation, and the Greater New Haven Chambers of Commerce. Ms. Chow-Tai also serves on the Advisory Board of LeaderXXchange, a purpose-driven organization that advises and promotes diversity and sustainability in governance, leadership, and investments. Ms. Chow-Tai holds a B.S. degree from the City University of New York – York College, holds credentials in business administration and finance and is currently pursuing a Juris Doctor degree from Mitchell Hamline School of Law. We believe Ms. Chow-Tai is qualified to serve on our board of directors due to her extensive experience in the global banking and financial services industry.

Clark R. Crosnoe. Mr. Crosnoe has been member of our board of directors since August 2022. In 2009, Mr. Crosnoe founded CRC Capital LLC, a registered investment advisor and manager of the CRC Investment Fund LP, a private investment partnership focused on publicly-traded equity securities. As managing member of CRC Capital LLC, Mr. Crosnoe is responsible for strategy, oversight and the day-to-day investment decisions of the fund. The portfolio typically includes investments in the consumer, financial, healthcare, industrial and energy sectors. In 1999, Mr. Crosnoe was a founding employee of Parallel Investment Partners where he was named partner in 2003. As a partner, he was responsible for sourcing, evaluating, structuring, executing and monitoring private equity investments, and also dedicated a substantial portion of his time to marketing activities for the firm. Mr. Crosnoe began his career in investment banking at Wasserstein Perella & Co. and also gained valuable experience at multi-billion dollar hedge fund HBK Investments. Mr. Crosnoe holds undergraduate degrees from the University of Texas at Austin and earned an MBA from Harvard Business School in 1996. We believe Mr. Crosnoe is qualified to serve on our board of directors due to his many years of private and public investment and advisory experience.

Paul A. Froning. Mr. Froning has been a member of our board of directors since April 2013. In 2009, Mr. Froning co-founded Focus Healthcare Partners LLC, a Chicago-based private equity investment, advisory and asset management firm targeting the senior housing and healthcare sectors. Prior to that, Mr. Froning was a managing director in the private equity department of Fortress Investment Group LLC, a publicly-traded New York-based private investment firm, from February 2008 to October 2009. Prior to that, Mr. Froning was the chief investment officer and executive vice president of Brookdale Senior Living Inc., a publicly-traded affiliate of Fortress Investment Group LLC, from 2005 to 2008. Previously, Mr. Froning held senior investment positions at the private equity investment arms of Lazard Group LLC and Security Capital Group, prior to its acquisition by GE Capital Corp., in addition to investment banking experience at Salomon Brothers, prior to its acquisition by Travelers Group, and the securities subsidiary of Principal Financial Group. Mr. Froning has a B.A. degree from the University of Notre Dame. We believe Mr. Froning is qualified to serve on our board of directors due to his more than twenty years of private equity, investment and advisory experience.

Lawrence X. Taylor. Mr. Taylor has been member of our board of directors since August 2022. As a C-level executive, advisor, and board member with more than 30 years of business experience, he has guided organizations through complex restructurings, acquisitions, corporate development activities and capital transactions totaling over $20 billion. His experience spans start-ups to private companies to publicly traded companies and includes diverse companies across multiple industries including casino gaming, hospitality, manufacturing, aviation, real estate, retail, and healthcare. Since 2004, Mr. Taylor has served as president of Taylor Strategy Group, a business consulting practice he owns and operates. From 2004 to 2013, Mr. Taylor was a partner and managing director with Odyssey Capital Group, a Phoenix based business. Since 2021, he has served on the board of Item 9 Labs, a public company, where he serves as the lead independent director and on the audit committee (as chair), compensation committee (as chair) and nominating and governance committee. Since September 2022, he has served on the board of Kabbage, Inc. Mr. Taylor has served on the board of Barrie House Coffee Roasters since 2018, where he chairs the M&A committee and serves on the strategic planning committee. Mr. Taylor is a Board Leadership Fellow with the National Association of Corporate Directors and is Directorship Certified. Additionally, he was recognized as a "Director to Watch 2020" by the Private Company Director Magazine. Mr. Taylor holds a Bachelor of Science degree in Finance from Louisiana Tech University. We believe that Mr. Taylor is qualified to serve on our board of directors due to his deep financial expertise, strategy, and governance experience.

Our directors currently have terms which will end at our next annual meeting of the shareholders or until their successors are elected and qualify, subject to their prior death, resignation or removal. Officers serve at the discretion of the board of directors.

Pursuant to our operating agreement, as holder of the allocation shares, our manager has the right to appoint one director to our board of directors for every four members constituting the entire board of directors. Any such director will not be required to stand for election by the shareholders. Ellery W. Roberts is the designated director of our manager. Otherwise, there is no arrangement or understanding between any director or executive officer and any other person pursuant to which he was or is to be selected as a director, nominee or officer.

Family Relationships

There are no family relationships among any of our officers or directors.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);

- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;

- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;

- been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Corporate Governance

Governance Structure

Currently, our Chief Executive Officer is also our Chairman. Our board believes that, at this time, having a combined Chief Executive Officer and Chairman is the appropriate leadership structure for our company. In making this determination, the board considered, among other matters, Mr. Robert's experience and tenure of having founded our company in 2013, and believed that Mr. Roberts is highly qualified to act as both Chairman and Chief Executive Officer due to his experience, knowledge, and personality. Among the benefits of a combined Chief Executive Officer/Chairman considered by the board is that such structure promotes clearer leadership and direction for our company and allows for a single, focused chain of command to execute our strategic initiatives and business plans.

The Board's Role in Risk Oversight

The board of directors oversees that the assets of our company are properly safeguarded, that the appropriate financial and other controls are maintained, and that our business is conducted wisely and in compliance with applicable laws and regulations and proper governance. Included in these responsibilities is the board's oversight of the various risks facing our company. In this regard, our board seeks to understand and oversee critical business risks. Our board does not view risk in isolation. Risks are considered in virtually every business decision and as part of our business strategy. Our board recognizes that it is neither possible nor prudent to eliminate all risk. Indeed, purposeful and appropriate risk-taking is essential for our company to be competitive on a global basis and to achieve its objectives.

While the board oversees risk management, company management is charged with managing risk. Management communicates routinely with the board and individual directors on the significant risks identified and how they are being managed. Directors are free to, and indeed often do, communicate directly with senior management.

Our board administers its risk oversight function as a whole by making risk oversight a matter of collective consideration; however, much of the work is delegated to committees, which will meet regularly and report back to the full board. The audit committee oversees risks related to our financial statements, the financial reporting process, accounting and legal matters, the compensation committee evaluates the risks and rewards associated with our compensation philosophy and programs, and the nominating and corporate governance committee evaluates risk associated with management decisions and strategic direction.

Independent Directors

Our board of directors has determined that all of our directors, other than Mr. Roberts, qualify as "independent" directors in accordance with the rules and regulations of NYSE American. In making its independence determinations, the board considered, among other things, relevant transactions between us and entities associated with the independent directors, as described under Item 13 "*Certain Relationships and Related Party Transactions, and Director Independence*," and determined that none have any relationship with our company or other relationships that would impair the directors' independence.

Committees of the Board of Directors

Our board has established an audit committee, a compensation and nominating and corporate governance committee, each with its own charter, copies of which are available on our website at www.1847holdings.com. In addition, our board of directors may, from time to time, designate one or more additional committees, which shall have the duties and powers granted to it by our board of directors.

Audit Committee

Michele A. Chow-Tai, Clark R. Crosnoe and Paul A. Froning serve on our audit committee, with Mr. Froning serving as the chairman. Our board has determined that Mr. Froning is an "audit committee financial expert" as defined by applicable SEC rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company.

The audit committee is responsible for, among other things: (i) retaining and overseeing our independent accountants; (ii) assisting the board in its oversight of the integrity of our financial statements, the qualifications, independence and performance of our independent auditors and our compliance with legal and regulatory requirements; (iii) reviewing and approving the plan and scope of the internal and external audit; (iv) pre-approving any audit and non-audit services provided by our independent auditors; (v) approving the fees to be paid to our independent auditors; (vi) reviewing with our chief executive officer and chief financial officer and independent auditors the adequacy and effectiveness of our internal controls; (vii) reviewing hedging transactions; (viii) reviewing and approving the calculation of profit allocation due to the holders our allocation shares when due and payable; (ix) reviewing conflicts of interests that may arise between our company and our manager; (x) reviewing and approving related party transactions; (xi) evaluating enterprise risk issues, including those related to cybersecurity, and (xii) reviewing and assessing annually the audit committee's performance and the adequacy of its charter.

Compensation Committee

Clark R. Crosnoe, Paul A. Froning and Lawrence X. Taylor serve on our compensation committee, with Mr. Crosnoe serving as the chairman. The members of the compensation committee are also "non-employee directors" within the meaning of Section 16 of the Exchange Act. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation relating to our directors and executive officers.

The compensation committee is responsible for, among other things: (i) reviewing and approving the compensation paid to our manager; (ii) reviewing and approving the remuneration of our executive officers; (iii) determining the compensation of our independent directors; (iv) making recommendations to the board regarding equity-based and incentive compensation plans, policies and programs; and (v) reviewing and assessing annually the compensation committee's performance and the adequacy of its charter.

Nominating and Corporate Governance Committee

Michele A. Chow-Tai and Lawrence X. Taylor serve on our nominating and corporate governance committee, with Mr. Taylor serving as the chairman. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees.

The nominating and corporate governance committee is responsible for, among other things: (i) recommending the number of directors to comprise our board; (ii) identifying and evaluating individuals qualified to become members of the board and soliciting recommendations for director nominees from the chairman and chief executive officer of our company; (iii) recommending to the board the director nominees for each annual stockholders' meeting; (iv) recommending to the board the candidates for filling vacancies that may occur between annual stockholders' meetings; (v) reviewing independent director compensation and board processes, self-evaluations and policies; (vi) overseeing compliance with our code of ethics; and (vii) monitoring developments in the law and practice of corporate governance.

The nominating and corporate governance committee's methods for identifying candidates for election to our board of directors (other than those proposed by our shareholders, as discussed below) will include the solicitation of ideas for possible candidates from a number of sources - members of our board of directors, our executives, individuals personally known to the members of our board of directors, and other research. The nominating and corporate governance committee may also, from time-to-time, retain one or more third-party search firms to identify suitable candidates.

In making director recommendations, the nominating and corporate governance committee may consider some or all of the following factors: (i) the candidate's judgment, skill, experience with other organizations of comparable purpose, complexity and size, and subject to similar legal restrictions and oversight; (ii) the interplay of the candidate's experience with the experience of other board members; (iii) the extent to which the candidate would be a desirable addition to the board and any committee thereof; (iv) whether or not the person has any relationships that might impair his or her independence; and (v) the candidate's ability to contribute to the effective management of our company, taking into account the needs of our company and such factors as the individual's experience, perspective, skills and knowledge of the industry in which we operate.

Our operating agreement provides that holders of common shares seeking to bring business before an annual meeting of shareholders or to nominate candidates for election as directors at an annual meeting of shareholders must provide notice thereof in writing to our company not less than 120 days and not more than 150 days prior to the anniversary date of the preceding year's annual meeting of shareholders or as otherwise required by requirements of the Exchange Act. In addition, the holders of common shares furnishing such notice must be a holder of record on both (i) the date of delivering such notice and (ii) the record date for the determination of shareholders entitled to vote at such meeting. The operating agreement specifies certain requirements as to the form and content of a shareholder's notice. These provisions may preclude shareholders from bringing matters before shareholders at an annual meeting or from making nominations for directors at an annual or special meeting.

Code of Ethics

We have adopted a code of ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. This code of ethics addresses, among other things, honesty and ethical conduct, conflicts of interest, compliance with laws, regulations and policies, including disclosure requirements under the federal securities laws, and reporting of violations of the code.

We are required to disclose any amendment to, or waiver from, a provision of our code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer, controller, or

persons performing similar functions. We intend to use our website as a method of disseminating this disclosure, as permitted by applicable SEC rules. Any such disclosure will be posted to our website within four (4) business days following the date of any such amendment to, or waiver from, a provision of our code of ethics.

Insider Trading Policy

We have adopted an insider trading policy which prohibits our directors, officers and employees from engaging in transactions in our common shares while in the possession of material non-public information; engaging in transactions in the stock of other companies while in possession of material non-public information that they become aware of in performing their duties; and disclosing material non-public information to unauthorized persons outside our company.

Our insider trading policy restricts trading by directors, officers and certain key employees during blackout periods, which generally begin 15 calendar days before the end of each fiscal quarter and end two business days after the issuance of our earnings release for the quarter. Additional blackout periods may be imposed with or without notice, as the circumstances require.

Our insider trading policy also prohibits our directors, officers and employees from purchasing financial instruments (such as prepaid variable forward contracts, equity swaps, collars and exchange funds) designed to hedge or offset any decrease in the market value of our common shares they hold, directly or indirectly. In addition, directors, officers and employees are expressly prohibited from pledging our common shares to secure personal loans or other obligations, including by holding their shares in a margin account, unless such arrangement is specifically approved in advance by the administrator of our insider trading policy, or making short-sale transactions in our common shares.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table - Years Ended December 31, 2025 and 2024

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the named persons for services rendered in all capacities during the noted periods.

Name and Principal Position	Year	Salary ($)	All Other Compensation ($)	Total ($)
Ellery W. Roberts,	2025	–	358,470	358,470
Chief Executive Officer[(1)]	2024	–	445,500	445,500
Vernice L. Howard,	2025	364,025	–	364,025
Chief Financial Officer	2024	337,191	–	337,191
Eric Vandam,	2025	278,085	–	278,085
Chief Operating Officer	2024	121,212	–	121,212

(1) Ellery W. Roberts, our Chief Executive Officer, is employed by our manager and is seconded to our company. Our manager, and not our company, pays any compensation to Mr. Roberts. We do not reimburse our manager for any compensation paid to Mr. Roberts in his capacity as our Chief Executive Officer. We pay our manager a quarterly management fee, and our manager may use the proceeds from the management fee, in part, to pay compensation to Mr. Roberts. For the year ended December 31, 2025, we expensed management fees of $1,100,000, and for the year ended December 31, 2024, we expensed management fees from continued operations and discontinued operations of $2,267,000 and $350,000, respectively. Mr. Roberts did not receive any compensation as an employee of our manager for the years ended December 31, 2025 and 2024. However, Mr. Roberts, as a holder of limited liability company interests in our manger, received $358,470 and $445,500 for the years ended December 31, 2025 and 2024, respectively, as a result of distributions from our manger to its interest holders, which is included in "Other Compensation" in the table above.

Employment Agreements

As noted above, Mr. Roberts is not an employee of our company.

On September 7, 2021, we entered into an employment agreement with Vernice L. Howard, our Chief Financial Officer, setting forth the terms of Ms. Howard's employment. Pursuant to the terms of the employment agreement, we agreed to pay Ms. Howard an annual base salary of $300,000. She is also eligible for an annual incentive bonus of up to 50% of base salary based on earnings targets to be determined by our board. Ms. Howard is also eligible to participate in all employee benefit plans, including health insurance, commensurate with her position. Ms. Howard's employment is at-will and can be terminated by us at any time or by Ms. Howard upon 90 days' notice. Pursuant to the employment agreement, if we terminate Ms. Howard's employment without cause, she is entitled to six months of base compensation. The employment agreement contains customary confidentiality provisions and restrictive covenants prohibiting Ms. Howard from (i) owning or operating a business that competes with us during the term of her employment and for a period of one year following the termination of her employment or (ii) soliciting our employees for a period of two years following the termination of her employment.

On July 29, 2024, we entered into an employment agreement with Eric Vandam, our Chief Operating Officer, setting forth the terms of his employment. Pursuant to the terms of the employment agreement, we agreed to pay Mr. Vandam an annual base salary of $300,000. He is also eligible for an annual incentive bonus of up to 50% of base salary based on earnings targets to be determined by our board. Mr. Vandam is also eligible to participate in all employee benefit plans, including health insurance, commensurate with his position. Mr. Vandam's employment is at-will and can be terminated by us at any time or by Mr. Milburn upon 30 days' notice. Pursuant to the employment agreement, if we terminate Mr. Vandam's employment without cause, he is entitled to six months of base compensation. The employment agreement contains customary confidentiality provisions and restrictive covenants prohibiting Mr. Vandam from (i) owning or operating a business that competes with us during the term of his employment and for a period of one year following the termination of his employment or (ii) soliciting our employees for a period of two years following the termination of his employment.

Retirement Benefits

We have not maintained, and do not currently maintain, a defined benefit pension plan, nonqualified deferred compensation plan or other retirement benefits.

Potential Payments Upon Termination or Change in Control

As described under "—*Employment Agreements*" above, Ms. Howard and Mr. Vandam are entitled severance in the event that they are terminated without cause.

Outstanding Equity Awards at Fiscal Year-End

No executive officer named above had any unexercised options, stock that has not vested or equity incentive plan awards outstanding as of December 31, 2025.

Director Compensation

The table below sets forth the compensation paid to our non-executive directors during the fiscal year ended December 31, 2025.

Name	Annual Fees Paid in Cash ($)	All Other Compensation ($)	Total ($)
Robert D. Barry	$ 35,000	$ 67,000	$ 102,000
Michele A. Chow-Tai	35,000	76,000	111,000
Clark R. Crosnoe	35,000	131,000	166,000
Paul A. Froning	35,000	131,000	166,000
Lawrence X. Taylor	35,000	131,000	166,000

Our independent directors receive an annual cash fee of $35,000, payable monthly. Each independent director may be reimbursed for pre-approved reasonable business-related expenses incurred in good faith in connection with his or her duties to our company. The amounts shown above also include earned fees payable and approved by the Compensation Committee effective November 1, 2025 in lieu of restricted share awards that were not previously granted, representing accumulated equity compensation earned from each director's agreement date through October 2025 at $35,000 per year.

Equity Incentive Plan

On March 28, 2023, our board of directors adopted the 1847 Holdings LLC 2023 Equity Incentive Plan, or the Plan, which was approved by our shareholders on May 9, 2023 and became effective on such date. On

April 25, 2024, our board of directors adopted two amendments to the Plan, which were approved by shareholders on July 25, 2024 and became effective on such date. On December 30, 2024, our board of directors adopted an additional amendment to the Plan, which was approved by shareholders on March 11, 2025 and became effective on such date. The following is a summary of certain significant features of the Plan. The information which follows is subject to, and qualified in its entirety by reference to, the Plan document itself, which is filed as an exhibit to this report.

Purposes: The purpose of the Plan is to provide a means whereby employees, directors and consultants of our company, its subsidiaries and affiliates develop a sense of proprietorship and personal involvement in the development and financial success of our company, and to encourage them to devote their best efforts to the business of our company, thereby advancing the interests of our company and its shareholders. A further purpose of the Plan is to provide a means through which we may attract able individuals to provide services to or for the benefit of our company and to provide a means for such individuals to acquire and maintain share ownership in our company, thereby strengthening their concern for the welfare of our company.

Types of Awards: Awards that may be granted include incentive share options, non-qualified share options, share appreciation rights and restricted awards. These awards offer our officers, employees, consultants and directors the possibility of future value, depending on the long-term price appreciation of our common shares and the award holder's continuing service with our company.

Eligible Recipients: Persons eligible to receive awards under the Plan will be those officers, employees, directors and consultants of our company and its subsidiaries who are selected by the administrator.

Administration: The Plan is administered by our compensation committee. Among other things, the administrator has the authority to select persons who will receive awards, determine the types of awards and the number of shares to be covered by awards, and to establish the terms, conditions, performance criteria, restrictions and other provisions of awards. The administrator has authority to establish, amend and rescind rules and regulations relating to the Plan.

Shares Available: As of December 31, 2025, the maximum number of common shares that may be delivered to participants under the Plan is 5,000,000, subject to adjustment for certain corporate changes affecting the shares, such as share splits. In addition, the number of shares available for issuance under the Plan will also automatically increase on January 1 of each calendar year during the term of the Plan by an amount equal to five percent (5%) of the total number of common shares issued and outstanding on December 31 of the immediately preceding calendar year. Shares subject to an award under the Plan for which the award is canceled, forfeited or expires again become available for grants under the Plan. Shares subject to an award that is settled in cash will not again be made available for grants under the Plan. Notwithstanding the foregoing, the maximum aggregate number of shares that may be issued as incentive share options is equal to the maximum number of shares available for issuance under the Plan without taking into account any automatic increases in the share reserve. On January 1, 2026, the number of shares increased to 8,095,933.

Share Options:

General. Share options give the option holder the right to acquire from us a designated number of common shares at a purchase price that is fixed upon the grant of the option. Share options granted may be either tax-qualified share options (so-called "incentive share options") or non-qualified share options. Subject to the provisions of the Plan, the administrator has the authority to determine all grants of share options. That determination will include: (i) the number of shares subject to any option; (ii) the exercise price per share; (iii) the expiration date of the option; (iv) the manner, time and date of permitted exercise; (v) other restrictions, if any, on the option or the shares underlying the option; and (vi) any other terms and conditions as the administrator may determine.

Option Price. The exercise price for share options will be determined at the time of grant. Normally, the exercise price will not be less than the fair market value on the date of grant. As a matter of tax law, the exercise price for any incentive share option awarded may not be less than the fair market value of the shares on the date of grant. However, incentive share option grants to any person owning more than 10% of our voting power must have an exercise price of not less than 110% of the fair market value on the grant date.

Exercise of Options. An option may be exercised only in accordance with the terms and conditions for the option agreement as established by the administrator at the time of the grant. The option must be exercised by notice to us, accompanied by payment of the exercise price. Payments may be made either: (i) in cash or its equivalent; (ii) by tendering (either by actual delivery or attestation) previously acquired shares having an aggregate fair market value at the time of exercise equal to the exercise price; (iii) a cashless exercise (broker-assisted exercise) through a "same day sale" commitment; (iv) by a combination of (i), (ii), and (iii); or (v) any other method approved or accepted by the administrator in its sole discretion.

Expiration or Termination. Options, if not previously exercised, will expire on the expiration date established by the administrator at the time of grant. In the case of incentive stock options, such term cannot exceed ten years provided that in the case of holders of more than 10% of our voting power, such term cannot exceed five years. Options will terminate before their expiration date if the holder's service with our company or a subsidiary terminates before the expiration date. The option may remain exercisable for specified periods after certain terminations of employment, including terminations as a result of death, disability or retirement, with the precise period during which the option may be exercised to be established by the administrator and reflected in the grant evidencing the award.

Incentive and Non-Qualified Options. As described elsewhere in this summary, an incentive share option is an option that is intended to qualify under certain provisions of the Code for more favorable tax treatment than applies to non-qualified share options. Any option that does not qualify as an incentive share option will be a non-qualified share option. Under the Code, certain restrictions apply to incentive share options. For example, the exercise price for incentive share options may not be less than the fair market value of the shares on the grant date and the term of the option may not exceed ten years. In addition, an incentive share option may not be transferred, other than by will or the laws of descent and distribution, and is exercisable during the holder's lifetime only by the holder. In addition, no incentive share options may be granted to a holder that is first exercisable in a single year if that option, together with all incentive share options previously granted to the holder that also first become exercisable in that year, relate to shares having an aggregate fair market value in excess of $100,000, measured at the grant date.

Share Appreciation Rights: Share appreciation rights, or SARs, which may be granted alone or in tandem with options, have an economic value similar to that of options. When an SAR for a particular number of shares is exercised, the holder receives a payment equal to the difference between the market price of the shares on the date of exercise and the exercise price of the shares under the SAR. Again, the exercise price for SARs normally is the market price of the shares on the date the SAR is granted. Under the Plan, holders of SARs may receive this payment - the appreciation value - either in cash or shares valued at the fair market value on the date of exercise. The form of payment will be determined by us.

Restricted Awards: Restricted awards are shares awarded to participants at no cost. Restricted awards can take the form of awards of restricted share, which represent issued and outstanding shares subject to vesting criteria, or restricted share units, which represent the right to receive shares subject to satisfaction of the vesting criteria. Restricted share awards are forfeitable and non-transferable until the shares vest. The vesting date or dates and other conditions for vesting are established when the shares are awarded. These awards will be subject to such conditions, restrictions and contingencies as the administrator shall determine at the date of grant. Those may include requirements for continuous service and/or the achievement of specified performance goals.

Performance Criteria: Under the Plan, one or more performance criteria will be used by the administrator in establishing performance goals. Any one or more of the performance criteria may be used on an absolute or relative basis to measure the performance of our company, as the administrator may deem appropriate, or as compared to the performance of a group of comparable companies, or published or special index that the administrator deems appropriate.

Other Material Provisions: Awards will be evidenced by a written agreement, in such form as may be approved by the administrator. In the event of various changes to the capitalization of our company, such as share splits, share dividends and similar re-capitalizations, an appropriate adjustment will be made by the administrator to the number of shares covered by outstanding awards or to the exercise price of such awards. The administrator is also permitted to include in the written agreement provisions that provide for certain changes in the award in the event of a change of control of our company, including acceleration of vesting. Except as otherwise determined by the administrator at the date of grant, awards will not be transferable, other than by will or the laws of descent and distribution. Prior to any award distribution, we are permitted to deduct or withhold amounts sufficient to satisfy any employee withholding tax requirements. Our board of directors also has the authority, at any time, to discontinue the granting of awards. The board of directors also has the authority to alter or amend the Plan or any outstanding award or may terminate the Plan as to further grants, provided that no amendment will, without the approval of our shareholders, to the extent that such approval is required by law or the rules of an applicable exchange, increase the number of shares available under the Plan, change the persons eligible for awards under the Plan, extend the time within which awards may be made, or amend the provisions of the Plan related to amendments. No amendment that would adversely affect any outstanding award made under the Plan can be made without the consent of the holder of such award.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of our common shares as of March 26, 2026 for (i) each of our named executive officers and directors; (ii) all of our named executive officers and directors as a group; and (iii) each other shareholder known by us to be the beneficial owner of more than 5% of our outstanding common shares. Unless otherwise indicated, the address of

each beneficial owner listed in the table below is c/o our company, 260 Madison Avenue, 8th Floor, New York, NY 10016.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership(1)	Percent of Class(2)
Ellery W. Roberts, Chairman and CEO	Common Shares	1,203,110	1.84%
Vernice L. Howard, Chief Financial Officer	Common Shares	1	*
Eric Vandam, Chief Operating Officer	Common Shares	–	–
Glyn C. Milburn, VP of Operations	Common Shares	–	–
Robert D. Barry, Director	Common Shares	1	*
Michele A. Chow-Tai, Director	Common Shares	–	–
Clark R. Crosnoe, Director	Common Shares	–	–
Paul A. Froning, Director	Common Shares	17	*
Lawrence X. Taylor, Director	Common Shares	–	–
All executive officers and directors (9 persons above)	Common Shares	1,203,129	1.84%

* Less than 1%

(1) Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares that such person or any member of such group has the right to acquire within sixty (60) days. For purposes of computing the percentage of outstanding common shares held by each person or group of persons named above, any shares that such person or persons has the right to acquire within sixty (60) days of March 26, 2026 are deemed to be outstanding for such person, but not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of any shares listed as beneficially owned does not constitute an admission of beneficial ownership by any person.

(2) Based on 65,293,659 common shares issued and outstanding as of March 26, 2026.

Changes in Control

We do not currently have any arrangements which if consummated may result in a change of control of our company.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth certain information about the securities authorized for issuance under our incentive plans as of December 31, 2025.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	–	–	5,000,000
Equity compensation plans not approved by security holders	–	–	–
Total	–	–	5,000,000

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Transactions with Related Persons

The following includes a summary of transactions since the beginning of our 2024 fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under Item 11 "*Executive Compensation*" above). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

Transactions with Our Manager

Our Chief Executive Officer, Ellery W. Roberts, controls our manager. Our relationship with our manager is governed principally by the following two agreements: (1) the management services agreement and offsetting management services agreements relating to the management services our manager will perform for us and the businesses we own and the management fee to be paid to our manager in respect thereof; and (2) our operating agreement setting forth our manager's rights with respect to the allocation shares it owns, including the right to receive payments of profit allocation from us and our manager's right to cause us to purchase the allocation shares it owns. Our manager has also entered into an offsetting management services agreement with 1847 Cabinet, 1847 Wolo and 1847 CMD and we expect that our manager will enter into offsetting management services agreements and transaction services agreements with our future businesses directly. See Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Management Fees*" for a description of these agreements.

Our manager owns certain intellectual property relating to the term "1847." Pursuant to the management services agreement, our manager has granted us a non-exclusive, royalty free right to use the following intellectual property in connection with our business and operations or as may be required to comply with applicable law: (i) 1847 Holdings LLC; (ii) 1847 Partners LLC; (iii) www.1847holdings.com; and (iv) www.1847partners.com. We are permitted to sublicense the use of this intellectual property to any of our subsidiaries to use in connection with their business or as may be required by law. Our company and any businesses that we acquire must cease using the intellectual property described above entirely in their businesses and operations within 180 days of our termination of the management services agreement. The sublicense provisions of the management services agreement would require our company and its businesses to change their names to remove any reference to the term "1847" or any reference to the intellectual property licensed to them by our manager. This also would require us to create and market a new name and expend funds to protect that name.

Transactions with Officers of Subsidiary

Kyle's has entered into a lease with Stephen Mallatt, Jr. and Rita Mallatt, who are officers of Kyle's. Item 2 "*Properties*" for a description this lease agreement.

A portion of the purchase price for the acquisition of Kyle's on September 30, 2020 was paid by the issuance of a vesting promissory note by 1847 Cabinet to Stephen Mallatt, Jr. and Rita Mallatt in the principal amount of $1,260,000. Payment of the principal and accrued interest on the note was subject to vesting. On July 26, 2022, we and 1847 Cabinet entered into a conversion agreement with Stephen Mallatt, Jr. and Rita Mallatt, pursuant to which they agreed to convert $797,221 of the vesting note into 10 common shares at a conversion price of $81,900 per share, the vesting note was cancelled and we agreed to pay the remaining balance of $558,734 by October 1, 2022. The conversion agreement was subsequently amended on multiple occasions. Pursuant to the latest amendment, the parties agreed to extend the due date of the remaining balance to July 30, 2023. As additional consideration for entering into the amendment, 1847 Cabinet agreed to pay an amendment fee of $76,784 on the due date. On June 27, 2025, the conversion agreement and that certain consulting agreement, dated March 16, 2024, between our company and Stephen Mallatt, Jr. and Rita Mallatt, were cancelled and 1847 Cabinet issued an 8% promissory note in the principal amount of $1,567,621 to Stephen Mallatt, Jr. and Rita Mallatt. The note bears interest at a rate of 8% per annum and is due and payable on November 15, 2027. The note requires monthly payments commencing on July 15, 2025; provided that all amounts owed under the note must be repaid in full upon a sale of CMD. The note is unsecured and contains customary events of default.

Director Independence

Our board of directors has determined that all of our directors, other than Mr. Roberts, qualify as "independent" directors in accordance with the rules and regulations of NYSE American.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Independent Auditors' Fees

The following is a summary of the fees billed to us for professional services rendered for the fiscal years ended December 31, 2025 and 2024.

	Years Ended December 31,	
	2025	2024
Audit Fees	$ 312,980	$ 364,882
Audit-Related Fees	–	308,003
Tax Fees	–	–
All Other Fees	–	–
TOTAL	$ 312,980	$ 672,885

"Audit Fees" consisted of fees billed for professional services rendered by the principal accountant for the audit of our annual consolidated financial statements and review of the consolidated financial statements included in our Form 10-K and 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

"Audit-Related Fees" consisted of fees billed for assurance and related services by the principal accountant that were reasonably related to the performance of the audit or review of our financial statements and are not reported under the paragraph captioned "Audit Fees" above.

"Tax Fees" consisted of fees billed for professional services rendered by the principal accountant for tax returns preparation.

"All Other Fees" consisted of fees billed for products and services provided by the principal accountant, other than the services reported above.

Pre-Approval Policies and Procedures

Our audit committee charter provides that the audit committee must pre-approve all audit and permissible non-audit services to be provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval would generally be requested annually, with any pre-approval detailed as to the particular service, which must be classified in one of the four categories of services listed above. The audit committee may also, on a case-by-case basis, pre-approve particular services that are not contained in the annual pre-approval request. In connection with this pre-approval policy, the audit committee also considers whether the categories of pre-approved services are consistent with the rules on accountant independence of the SEC and the Public Company Accounting Oversight Board. The audit committee has pre-approved all services performed since our policy on pre-approval of audit and non-audit services was adopted.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) ***List of Documents Filed as a Part of This Report:***

(1) *Index to Financial Statements:*

Report of Independent Registered Public Accounting Firm (PCAOB ID 3627)	F-2
Consolidated Balance Sheets as of December 31, 2025 and 2024	F-5
Consolidated Statements of Operations for the Years Ended December 31, 2025 and 2024	F-6
Consolidated Statements of Shareholders' Deficit for the Years Ended December 31, 2025 and 2024	F-7
Consolidated Statements of Cash Flows for the Years Ended December 31, 2025 and 2024	F-8
Notes to Consolidated Financial Statements	F-9

(2) Index *to Financial Statement Schedules:*

All schedules have been omitted because the required information is included in the financial statements or the notes thereto, or because it is not required.

(3) Index *to Exhibits:*

See exhibits listed under Part (b) below.

(b) ***Exhibits:***

Exhibit No.	Description
3.1	Certificate of Formation of 1847 Holdings LLC (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed on February 7, 2014)
3.2	Second Amended and Restated Operating Agreement of 1847 Holdings LLC, dated January 19, 2018 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on January 22, 2018)
3.3	Amendment No. 1 to Second Amended and Restated Operating Agreement (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on August 11, 2021)
3.4	Amendment No. 2 to Second Amended and Restated Operating Agreement of 1847 Holdings LLC, dated October 16, 2023 (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K filed on October 16, 2023)
3.5	Amendment No. 3 to Second Amended and Restated Operating Agreement of 1847 Holdings LLC, dated December 19, 2023 (incorporated by reference to Exhibit 3.5 to the Registration Statement on Form S-1 filed on January 24, 2024)

3.6	Amendment No. 4 to Second Amended and Restated Operating Agreement of 1847 Holdings LLC, dated March 11, 2025 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on March 17, 2025)
4.1*	Description of Securities of 1847 Holdings LLC
4.2	Amended and Restated Share Designation of Series A Senior Convertible Preferred Shares (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on April 1, 2021)
4.3	Amendment No. 1 to Amended and Restated Share Designation of Series A Senior Convertible Preferred Shares (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on October 5, 2021)
4.4	Share Designation of Series C Senior Convertible Preferred Shares (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on August 23, 2024)
4.5	Share Designation of Series D Senior Convertible Preferred Shares (incorporated by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q filed on August 19, 2024)
4.6	Share Designation of Series F Convertible Preferred Shares (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on March 31, 2025)
4.7	Form of Pre-Funded Warrant to Purchase Common Shares, dated December 16, 2024 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on December 18, 2024)
4.8	Form of Series A Warrant to Purchase Common Shares, dated December 16, 2024 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on December 18, 2024)
4.9	Form of Series B Warrant to Purchase Common Shares, dated December 16, 2024 (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on December 18, 2024)
4.10	Form of Series B Warrant to Purchase Common Shares, dated October 30, 2024 (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on October 31, 2024)
4.11	Form of Common Share Purchase Warrant issued by 1847 Holdings LLC on May 8, 2024 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on May 14, 2024)
4.12	Common Share Purchase Warrant issued by 1847 Holdings LLC to Spartan Capital Securities, LLC on May 8, 2024 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on May 14, 2024)

4.13	Warrant Agency Agreement, dated August 11, 2023, between 1847 Holdings LLC and VStock Transfer, LLC and Form of Warrant (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on August 14, 2023)
4.14	Common Share Purchase Warrant issued by 1847 Holdings LLC to Spartan Capital Securities, LLC on August 11, 2023 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on August 14, 2023)
4.15	Common Share Purchase Warrant issued by 1847 Holdings LLC to J.H. Darbie & Co., Inc. on February 22, 2023 (incorporated by reference to Exhibit 4.6 to Amendment No. 1 to Registration Statement on Form S-3 filed on April 28, 2023)
4.16	Common Share Purchase Warrant issued by 1847 Holdings LLC to J.H. Darbie & Co., Inc. on February 9, 2023 (incorporated by reference to Exhibit 4.10 to Amendment No. 1 to Registration Statement on Form S-3 filed on April 28, 2023)
4.17	Common Share Purchase Warrant issued by 1847 Holdings LLC to J.H. Darbie & Co., Inc. on February 3, 2023 (incorporated by reference to Exhibit 4.13 to Amendment No. 1 to Registration Statement on Form S-3 filed on April 28, 2023)
4.18	Common Share Purchase Warrant issued to Craft Capital Management LLC on August 5, 2022 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on August 8, 2022)
4.19	Common Share Purchase Warrant issued to R.F. Lafferty & Co. Inc. on August 5, 2022 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on August 8, 2022)
4.20	Warrant for Common Shares issued by 1847 Holdings LLC to J.H. Darbie & Co., Inc. on July 8, 2022 (incorporated by reference to Exhibit 4.18 to the Registration Statement on Form S-3 filed on February 1, 2023)
4.21	Warrant for Common Shares issued by 1847 Holdings LLC to Leonite Capital LLC on October 8, 2021 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on October 13, 2021)

10.1	Management Services Agreement, dated April 15, 2013, between 1847 Holdings LLC and 1847 Partners LLC (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1/A filed on March 14, 2014)
10.2	Amendment No. 1 to Management Services Agreement, dated September 15, 2013, between 1847 Holdings LLC and 1847 Partners LLC (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1 filed on February 7, 2014)
10.3	Management Services Agreement, dated March 30, 2021, between 1847 Wolo Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on April 5, 2021)
10.4	Amendment No. 1 to Management Services Agreement, dated March 30, 2023, between 1847 Wolo Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed on April 5, 2023)
10.5	Amended and Restated Management Services Agreement, dated October 8, 2021, between 1847 Cabinet Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed on October 13, 2021)
10.6	Management Services Agreement, dated December 16, 2024, 1847 Partners LLC and 1847 CMD Inc. (incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K filed on December 18, 2024)
10.7	Form of Cancellation and Exchange Agreement, dated March 25, 2025 (Series A Warrants) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 31, 2025)
10.8	Form of Cancellation and Exchange Agreement, dated March 25, 2025 (Common Shares) (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on March 31, 2025)
10.9	8% Promissory Note issued by 1847 Cabinet Inc. to Stephen Mallatt, Jr. and Rita Mallatt on June 27, 2025 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on August 14, 2025)
10.10	Promissory Note issued by 1847 Cabinets Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC d/b/a Innovative Cabinets & Design and Kyle's Custom Wood Shop, Inc. to Breadcrumbs Capital LLC on June 28, 2024 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on August 19, 2024)
10.11	Security Agreement, dated June 28, 2024, among 1847 Cabinets Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC d/b/a Innovative Cabinets & Design, Kyle's Custom Wood Shop, Inc. and Breadcrumbs Capital LLC (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on August 19, 2024)
10.12	Assignment and Assumption of Accounts Receivable Agreement, dated June 28, 2024, among 1847 Cabinets Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC d/b/a Innovative Cabinets & Design, Kyle's Custom Wood Shop, Inc. and Breadcrumbs Capital LLC (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on August 19, 2024)
10.13	Memorandum of Understanding, dated June 28, 2024, between 1847 Holdings LLC and Breadcrumbs Capital LLC (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed on August 19, 2024)
10.14	Third Amended and Restated 20% OID Subordinated Promissory Note issued by 1847 Holdings LLC to Target Capital 15 LLC on June 24, 2024 (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1 filed on September 18, 2024)
10.15*	Note Extension Agreement, dated November 10, 2025, between 1847 Holdings LLC and Target Capital 15 LLC
10.16	Promissory Note issued by 1847 Holdings LLC to Leonite Capital LLC on May 9, 2024 (incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q filed on August 19, 2024)
10.17	Memorandum of Understanding, dated May 9, 2024, between 1847 Holdings LLC and Leonite Capital LLC (incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q filed on August 19, 2024)
10.18	Note Purchase Agreement, dated October 8, 2021, among 1847 Holdings LLC, 1847 Asien Inc., 1847 Wolo Inc., 1847 Cabinet Inc., Asien's Appliance, Inc., Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., Kyle's Custom Wood Shop, Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC, SILAC Insurance Company and Leonite Capital, LLC (incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K filed on October 13, 2021)

10.19	Amendment to Note Purchase Agreement, dated January 22, 2024, among 1847 Holdings LLC, 1847 Asien Inc., 1847 Wolo Inc., 1847 Cabinet Inc., Asien's Appliance, Inc., Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., Kyle's Custom Wood Shop, Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC, SILAC Insurance Company and Leonite Capital, LLC (incorporated by reference to Exhibit 10.29 to the Registration Statement on Form S-1 filed on February 14, 2025)
10.20	Second Amendment to Note Purchase Agreement, dated February 28, 2024, among 1847 Holdings LLC, 1847 Asien Inc., 1847 Wolo Inc., 1847 Cabinet Inc., Asien's Appliance, Inc., Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., Kyle's Custom Wood Shop, Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC, SILAC Insurance Company and Leonite Capital, LLC (incorporated by reference to Exhibit 10.30 to the Registration Statement on Form S-1 filed on February 14, 2025)
10.21	Third Amendment to Note Purchase Agreement and Other Transaction Documents, dated September 30, 2024, among 1847 Holdings LLC, 1847 Wolo Inc., 1847 Cabinet Inc., Kyle's Custom Wood Shop, Inc., High Mountain Door & Trim Inc., Sierra Homes LLC, Wolo Industrial Horn & Signal, Inc., Wolo Mfg. Corp., Leonite Capital LLC, Altimir Partners LP and Beaman Special Opportunities Partners, LP (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q filed on November 19, 2024)
10.22*	Fourth Amendment to Note Purchase Agreement and Other Transaction Documents, dated December 17, 2024, among 1847 Holdings LLC, 1847 Wolo Inc., 1847 Cabinet Inc., Kyle's Custom Wood Shop, Inc., Sierra Homes LLC, Wolo Industrial Horn & Signal, Inc., Wolo Mfg. Corp., 1847 CMD Inc., CMD Inc., CMD Finish Carpentry LLC, Leonite Capital LLC, Altimir Partners LP and Beaman Special Opportunities Partners, LP
10.23	Secured Convertible Promissory Note issued by 1847 Holdings LLC to SILAC Insurance Company on October 8, 2021 (incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K filed on October 13, 2021)
10.24	Secured Convertible Promissory Note issued by 1847 Holdings LLC to SILAC Insurance Company on October 8, 2021 (incorporated by reference to Exhibit 10.13 to the Current Report on Form 8-K filed on October 13, 2021)
10.25	Secured Convertible Promissory Note issued by 1847 Holdings LLC to Leonite Capital LLC on October 8, 2021 (incorporated by reference to Exhibit 10.14 to the Current Report on Form 8-K filed on October 13, 2021)
10.26	Guaranty Agreement, dated October 8, 2021, among 1847 Asien Inc., 1847 Wolo Inc., 1847 Cabinet Inc., Asien's Appliance, Inc., Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., Kyle's Custom Wood Shop, Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC and Leonite Capital LLC (incorporated by reference to Exhibit 10.15 to the Current Report on Form 8-K filed on October 13, 2021)
10.27	Security Agreement, dated October 8, 2021, among 1847 Holdings LLC, 1847 Asien Inc., 1847 Wolo Inc., 1847 Cabinet Inc., Asien's Appliance, Inc., Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., Kyle's Custom Wood Shop, Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC and Leonite Capital, LLC (incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K filed on October 13, 2021)
10.28	Intellectual Property Security Agreement, dated October 8, 2021, among Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc. and Leonite Capital, LLC (incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K filed on October 13, 2021)
10.29	Industrial Lease, dated September 1, 2020, between Kyle's Custom Wood Shop, Inc. and Stephen Mallatt, Jr. and Rita Mallatt (incorporated by reference to Exhibit 10.47 to the Annual Report on Form 10-K filed on April 15, 2021)
10.30	1st Amendment to Lease, dated September 1, 2025, between Stephen Mallatt, Jr. and Rita Mallatt and Kyle's Custom Wood Shop, Inc. (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on November 12, 2025)
10.31	Standard Lease Agreement, dated June 9, 2021, between Emerald Town, LLC and Kyle's Custom Wood Shop, Inc. (incorporated by reference to Exhibit 10.22 to Amendment No. 1 to Registration Statement on Form S-1/A filed on January 31, 2022)
10.32	Lease, dated December 16, 2024, between Delancey LLC and 1847 CMD Inc. (incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed on December 18, 2024)
10.33	Lease, dated December 16, 2024, between CD Gowan LLC and 1847 CMD Inc. (incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K filed on December 18, 2024)
10.34*	Standard Industrial/Commercial Multi-Tenant Lease, dated February 15, 2025, between G4 Business Management, LLC and CMD Inc.

10.35†	Employment Offer Letter, dated September 7, 2021, between Vernice L. Howard and 1847 Holdings LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on September 10, 2021)
10.36†	Letter Agreement Regarding the Assignment, Assumption and Amendment of Employment Agreement, dated March 23, 2022, among 1847 Holdings LLC, 1847 HQ Inc. and Vernice L. Howard (incorporated by reference to Exhibit 10.32 to the Annual Report on Form 10-K filed on March 31, 2022)
10.37†	Employment Offer Letter, March 1, 2023, between Glyn C. Milburn and 1847 HQ Inc. (incorporated by reference to Exhibit 10.59 to the Registration Statement on Form S-1 filed on January 24, 2024)
10.38†	Employment Offer Letter, July 29, 2024, between Eric Vandam and 1847 HQ Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 22, 2024)
10.39	Form of Independent Director Agreement between 1847 Holdings LLC and each independent director (incorporated by reference to Exhibit 10.31 to Amendment No. 1 to Registration Statement on Form S-1/A filed on January 31, 2022)
10.40	Form of Indemnification Agreement between 1847 Holdings LLC and each independent director (incorporated by reference to Exhibit 10.32 to Amendment No. 1 to Registration Statement on Form S-1/A filed on January 31, 2022)
10.41†	1847 Holdings LLC 2023 Equity Incentive Plan (incorporated by reference to Exhibit 10.61 to the Registration Statement on Form S-1 filed on May 18, 2023)
10.42†	Amendment No. 1 to 1847 Holdings LLC 2023 Equity Incentive Plan (incorporated by reference to Exhibit 10.48 to the Registration Statement on Form S-1 filed on September 18, 2024)
10.43†	Amendment No. 2 to 1847 Holdings LLC 2023 Equity Incentive Plan (incorporated by reference to Exhibit 10.49 to the Registration Statement on Form S-1 filed on September 18, 2024)
10.44†	Amendment No. 3 to 1847 Holdings LLC 2023 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on March 17, 2025)
10.45†	Form of Share Option Agreement (incorporated by reference to Exhibit 10.62 to the Registration Statement on Form S-1 filed on May 18, 2023)
10.46†	Form of Restricted Share Award Agreement (incorporated by reference to Exhibit 10.63 to the Registration Statement on Form S-1 filed on May 18, 2023)
10.47†	Form of Restricted Share Unit Award Agreement (incorporated by reference to Exhibit 10.64 to the Registration Statement on Form S-1 filed on May 18, 2023)
14.1	Code of Business Ethics and Conduct (incorporated by reference to Exhibit 14.1 to the Annual Report on Form 10-K filed on April 11, 2023)
19.1	Insider Trading Policy (incorporated by reference to Exhibit 19.1 to the Annual Report on Form 10-K filed on April 11, 2023)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Registration Statement on Form S-1 filed on February 14, 2025)
23.1*	Consent of Sadler, Gibb & Associates, LLC
31.1*	Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Principal Financial and Accounting Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certifications of Principal Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certifications of Principal Financial and Accounting Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1	Clawback Policy (incorporated by reference to Exhibit 97.1 to the Annual Report on Form 10-K filed on April 25, 2024)
101*	Inline XBRL Document Set for the consolidated financial statements and accompanying notes included in this Annual Report on Form 10-K
104*	Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set

* Filed herewith
** Furnished herewith
† Executive compensation plan or arrangement

ITEM 16. FORM 10-K SUMMARY.

None.

FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of 1847 Holdings LLC:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of 1847 Holdings LLC ("the Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2025 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) related to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition Over Time

Critical Audit Matter Description

As described further in Note 3 to the financial statements, revenues in the construction operations for CMD are derived primarily from contracts with customers for finished carpentry and related services, including doors, frames, trim, hardware, millwork, cabinetry, and specialty construction accessories.

Revenue for each contract is generally recognized over time due to the continuous transfer of control to the customer as work is performed at the customer's site and, therefore, the customer controls the asset as it is being installed. The Company generally measures progress toward completion using the cost-to-cost input method, as it best depicts the transfer of control of goods and services to the customer. Under this method, progress is measured based on the ratio of costs incurred to date to the total estimated costs at completion, with revenue recognized proportionally as costs are incurred. Incurred costs include all direct materials, labor, subcontractor expenses, and other indirect costs related to contract performance.

Estimating the total expected cost at completion requires significant judgment. The Company regularly reviews and updates cost estimates quarterly or more frequently if circumstances change. External factors such as weather conditions, supply chain disruptions, and customer delays may impact contract progress, potentially affecting the timing and amount of revenue recognition, cash flow, and overall contract profitability.

The principal consideration for our determination that revenue recognition over time on contracts is a critical audit matter was that auditing management's estimate of progress toward project completion was complex and subjective. Considerable auditor judgment was required to evaluate management's determination of the forecasted costs to complete its contracts, as future results may vary significantly from past estimates due to changes in facts and circumstances. In addition, auditing the Company's measurement of variable consideration is complex, highly judgmental, and can have a material effect on the amount of revenue recognized.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to revenue recognized over time included the following, among others.

- We obtained an understanding of the Company's process related to the initial and ongoing monitoring of changes in the contract cost-to-cost estimates.
- We agreed a sample of costs allocated to contracts to supporting documentation and recalculated revenues recognized based on the percentage of completion.
- For a selection of contracts, we tested the Company's cost-to-cost estimates by evaluating the appropriate application of the cost-to-cost method, testing the significant assumptions used to develop the estimated cost to complete, and testing the completeness and accuracy of the underlying data.

Valuation of Series F Convertible Preferred Shares

Critical Audit Matter Description

As described in Notes 18 and 19, the Company entered into cancellation and exchange agreements where Series F convertible preferred shares were issued to extinguish liability classified Series A warrants, resulting in the recognition of a loss on extinguishment of approximately $942,000. The Company utilized a value specialist who developed an option pricing model to determine the fair value of the preferred shares. The valuation of these preferred shares involved significant judgment and estimation, particularly in determining the appropriate valuation model and the inputs used in the model, such as volatility, risk-free interest rate, and hypothetical liquidation term.

We identified the valuation of the preferred shares as a critical audit matter due to the significant estimates and assumptions management made in determining the fair value of these warrants. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of such estimates and assumptions. In addition, the audit effort involved the use of professionals with specialized skills and knowledge.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the following:

- We obtained the valuation report prepared by the valuation specialist engaged by management and assessed the qualifications of the specialist.
- We evaluated and assessed the appropriateness of the valuation methodology utilized to develop the fair value measurements for the preferred shares.
- We evaluated the reasonableness of the significant assumptions used in this fair value measurement including volatility, risk-free interest rate, and hypothetical liquidation term.
- We examined the completeness and accuracy of the underlying data used in the valuation report, including the capitalization structure of the Company.

Additionally, the Firm utilized professionals with specialized skills and knowledge to assist in the performance of these procedures.

/s/ Sadler, Gibb & Associates, LLC

We have served as the Company's auditor since 2017.

Draper, UT
March 31, 2026

1847 HOLDINGS LLC
CONSOLIDATED BALANCE SHEETS

	December 31, 2025	December 31, 2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,987,301	$ 2,502,450
Restricted cash	–	1,358,968
Accounts receivable, net	8,125,000	5,833,370
Contract assets	4,178,899	1,892,532
Inventories, net	230,382	474,653
Prepaid expenses and other current assets	79,211	568,520
Total Current Assets	14,600,793	12,630,493
Property and equipment, net	870,576	1,116,006
Operating lease right-of-use assets	1,806,255	2,017,482
Long-term deposits	18,942	49,535
Intangible assets, net	11,557,214	12,524,346
Goodwill	5,309,876	5,309,876

TOTAL ASSETS	$ 34,163,656	$ 33,647,738
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and accrued expenses	$ 17,945,060	$ 6,159,950
Contract liabilities	803,045	1,199,587
Current portion of operating lease liabilities	432,333	598,534
Current portion of finance lease liabilities	192,505	182,043
Current portion of notes payable, net	6,476,121	7,785,911
Current portion of convertible notes payable, net	22,751,184	22,089,149
Current portion of related party note payable	641,972	578,290
Derivative liabilities	–	185,000
Warrant liabilities	8,424,500	85,779,788
Total Current Liabilities	57,666,720	124,558,252
Operating lease liabilities, net of current portion	1,445,726	1,473,795
Finance lease liabilities, net of current portion	230,693	423,198
Notes payable, net of current portion	–	8,530
Related party note payable, net of current portion	623,354	–
Deferred tax liabilities, net	3,585,000	3,650,000
TOTAL LIABILITIES	63,551,493	130,113,775
Shareholders' Deficit		
Series A senior convertible preferred shares, no par value, 4,450,460 shares designated; 50,592 shares issued and outstanding as of December 31, 2025 and 2024	39,877	39,877
Series C senior convertible preferred shares, no par value, 83,603 shares designated; 83,603 shares issued and outstanding as of December 31, 2025 and 2024	403,470	403,470
Series D senior convertible preferred shares, no par value, 7,292,036 shares designated; 6,293,022 shares issued and outstanding as of December 31, 2025 and 2024	600,100	600,100
Series F convertible preferred shares, no par value, 1,027 shares designated; 1,027 and 0 shares issued and outstanding as of December 31, 2025 and 2024, respectively	1,138,332	–
Allocation shares, 1,000 shares authorized; 1,000 shares issued and outstanding as of December 31, 2025 and 2024	1,000	1,000
Common shares, $0.001 par value, 2,000,000,000 shares authorized; 61,918,659 and 25,400,386 shares issued and outstanding as of December 31, 2025 and 2024, respectively	61,919	25,400
Additional paid-in capital	80,046,958	79,403,793
Accumulated deficit	(109,599,852)	(175,096,154)
TOTAL 1847 HOLDINGS SHAREHOLDERS' DEFICIT	(27,308,196)	(94,622,514)
NONCONTROLLING INTERESTS	(2,079,641)	(1,843,523)
TOTAL SHAREHOLDERS' DEFICIT	(29,387,837)	(96,466,037)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 34,163,656	$ 33,647,738

The accompanying notes are an integral part of these consolidated financial statements

1847 HOLDINGS LLC
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2025	**2024**
Revenues	$ 48,272,312	$ 15,710,330
Operating Expenses		
Cost of revenues	24,354,373	7,937,588
Personnel	8,174,368	6,538,872
Depreciation and amortization	1,425,349	655,658
General and administrative	5,859,823	5,000,843
Professional fees	4,363,982	6,896,438
Impairment of goodwill	–	679,175
Loss on abandonment of right-of-use asset	112,705	–
Total Operating Expenses	44,290,600	27,708,574
INCOME (LOSS) FROM OPERATIONS	3,981,712	(11,998,244)
Other Income (Expense)		
Other expense	(79,278)	(1,263,983)
Gain on disposal of property and equipment	43,570	13,000
Interest expense	(7,036,424)	(4,262,224)
Amortization of debt discounts	(1,538,773)	(9,047,721)
Loss on extinguishment of debt	(3,126,338)	(4,709,793)
Loss on settlement of debt	(500,000)	–
Gain on change in fair value of derivative liabilities	185,000	1,401,373
Gain (loss) on change in fair value of warrant liabilities	76,904,488	(77,638,662)
Total Other Income (Expense)	64,852,245	(95,508,010)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	68,833,957	(107,506,254)
Income tax benefit (provision)	(2,353,000)	702,000
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 66,480,957	$ (106,804,254)
Net loss from discontinued operations	–	(3,290,019)
Gain (loss) on disposition of subsidiaries	(921,772)	9,566,864
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$ (921,772)	$ 6,276,845
NET INCOME (LOSS)	$ 65,559,185	$ (100,527,409)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS FROM CONTINUING OPERATIONS	236,118	252,911
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS FROM DISCONTINUED OPERATIONS	–	276,332
NET INCOME (LOSS) ATTRIBUTABLE TO 1847 HOLDINGS	$ 65,795,303	$ (99,998,166)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO 1847 HOLDINGS	66,717,075	(106,551,343)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO 1847 HOLDINGS	(921,772)	6,553,177
NET INCOME (LOSS) ATTRIBUTABLE TO 1847 HOLDINGS	$ 65,795,303	$ (99,998,166)

PREFERRED SHARE DIVIDENDS	(299,001)	(261,596)
DEEMED DIVIDENDS	–	(1,000)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ 65,496,302	$ (100,260,762)
BASIC EARNINGS (LOSS) PER COMMON SHARE FROM CONTINUING OPERATIONS	$ 1.80	$ (40.15)
BASIC EARNINGS (LOSS) PER COMMON SHARE FROM DISCONTINUED OPERATIONS	(0.02)	2.46
BASIC EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ 1.78	$ (37.69)
DILUTED LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS	$ (0.01)	$ (40.15)
DILUTED EARNINGS (LOSS) PER COMMON SHARE FROM DISCONTINUED OPERATIONS	(0.00)	2.46
DILUTED LOSS PER COMMON SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (0.01)	$ (37.69)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
BASIC	36,902,227	2,660,302
DILUTED	967,906,046	2,660,302

The accompanying notes are an integral part of these consolidated financial statements

1847 HOLDINGS LLC
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

	Series A Senior Convertible Preferred Shares		Series B Senior Convertible Preferred Shares		Series C Senior Convertible Preferred Shares		Series D Senior Convertible Preferred Shares		Series F Convertible Preferred Shares		Allocation	Common Shares		Distribution	Additional Paid-In	Accumulated	Non-Controlling	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shares	Amount	Receivable	Capital	Deficit	Interests	(Deficit)
Balance at December 31, 2023	226,667	$ 190,377	91,567	$ 240,499	–	$ –	–	$ –	–	$ –	$ 1,000	142,278	$ 142	$ (2,000,000)	$ 57,676,965	$ (74,835,392)	$ (1,314,280)	$ (20,040,689)
Issuance of series A preferred shares upon settlement of accrued series A preferred shares dividends	5,137	1,700	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,700
Issuance of series C preferred shares upon settlement of notes payable	–	–	–	–	83,603	403,470	–	–	–	–	–	–	–	–	–	–	–	403,470
Issuance of series D preferred shares in connection with a private debt offering	–	–	–	–	–	–	6,293,022	600,100	–	–	–	–	–	–	–	–	–	600,100
Issuance of common shares upon settlement of accrued series A preferred shares dividends	–	–	–	–	–	–	–	–	–	–	–	625	1	–	130,967	–	–	130,968
Issuance of common shares upon settlement of accrued series B preferred shares dividends	–	–	–	–	–	–	–	–	–	–	–	51	–	–	13,299	–	–	13,299
Issuance of warrants in connection with a private debt offering	–	–	–	–	–	–	–	–	–	–	–	–	–	–	7,573	–	–	7,573
Issuance of common shares and warrants in connection with a public offering	–	–	–	–	–	–	–	–	–	–	–	596,665	597	–	14,210,389	–	–	14,210,986
Issuance of common shares and warrants in connection with a private debt offering	–	–	–	–	–	–	–	–	–	–	–	3,437,210	3,437	–	10,242,403	–	–	10,245,840
Fair value of warrant liabilities recognized upon issuance of warrants	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(24,456,826)	–	–	(24,456,826)
Extinguishment of warrant liabilities upon exercise of warrants	–	–	–	–	–	–	–	–	–	–	–	–	–	–	16,526,400	–	–	16,526,400
Issuance of common shares upon cashless exercise of warrants	–	–	–	–	–	–	–	–	–	–	–	16,495,374	16,495	–	(16,495)	–	–	–
Issuance of common shares upon conversion of convertible notes payable	–	–	–	–	–	–	–	–	–	–	–	4,712,822	4,713	–	4,136,714	–	–	4,141,427
Issuance of common shares upon partial extinguishment																		

of notes payable	–	–	–	–	–	–	–	–	–	–	–	11,401	11	–	538,709	–	–	538,720
Issuance of common shares upon conversion of series A preferred shares	(181,212)	(152,200)	–	–	–	–	–	–	–	–	–	2,437	2	–	152,198	–	–	–
Issuance of common shares upon conversion of series B preferred shares	–	–	(91,567)	(240,499)	–	–	–	–	–	–	–	1,523	2	–	240,497	–	–	–
Settlement of 1847 Manager accrued expenses and transaction fees	–	–	–	–	–	–	–	–	–	–	–	–	–	2,000,000	–	–	–	2,000,000
Dividends – series A convertible preferred shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(144,435)	–	(144,435)
Dividends – series B convertible preferred shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,509)	–	(2,509)
Dividends – series C convertible preferred shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(18,003)	–	(18,003)
Dividends – series D convertible preferred shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(96,649)	–	(96,649)
Deemed dividend from down round provision in warrants	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,000	(1,000)	–	–
Net loss	–	–	–	–	–	–	–	–	–	–	–	–	–	–	-	(99,998,166)	(529,243)	(100,527,409)
Balance at December 31, 2024	50,592	$ 39,877	–	$ –	83,603	$ 403,470	6,293,022	$600,100	–	$ –	$ 1,000	25,400,386	$ 25,400	$ –	$ 79,403,793	$(175,096,154)	$ (1,843,523)	$ (96,466,037)
Issuance of common shares upon conversion of convertible notes payable	–	–	–	–	–	–	–	–	–	–	–	8,221,126	8,222	–	316,368	–	–	324,590
Issuance of common shares upon cashless exercise of warrants	–	–	–	–	–	–	–	–	–	–	–	26,877,162	26,877	–	(26,877)	–	–	–
Extinguishment of warrant liabilities upon exercise of warrants	–	–	–	–	–	–	–	–	–	–	–	–	–	–	254,700	–	–	254,700
Issuance of common shares for services	–	–	–	–	–	–	–	–	–	–	–	1,420,000	1,420	–	98,974	–	–	100,394
Issuance of series F preferred shares upon settlement of series A warrants	–	–	–	–	–	–	–	–	1,027	1,138,332	–	–	–	–	–	–	–	1,138,332
Cancellation of common shares	–	–	–	–	–	–	–	–	–	–	–	(15)	–	–	–	–	–	–
Dividends – series A convertible preferred shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(35,505)	–	(35,505)
Dividends – series C convertible preferred shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(50,162)	–	(50,162)
Dividends – series D convertible preferred shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(213,334)	–	(213,334)
Net income (loss)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	65,795,303	(236,118)	65,559,185
Balance at December 31, 2025	50,592	$ 39,877	–	$ –	83,603	$ 403,470	6,293,022	$600,100	1,027	$1,138,332	$ 1,000	61,918,659	$ 61,919	$ –	$ 80,046,958	$(109,599,852)	$ (2,079,641)	$ (29,387,837)

The accompanying notes are an integral part of these consolidated financial statements

1847 HOLDINGS LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) from continuing operations	$ 65,559,185	$ (100,527,409)
Net loss from discontinued operations	–	3,290,019
(Gain) loss on disposition of subsidiaries	921,772	(9,566,864)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Gain on disposal of property and equipment	(43,570)	(13,000)
Impairment of goodwill	–	679,175
Loss on abandonment of right-of-use asset	112,705	–
Common shares issued for services	100,394	–
Loss on extinguishment of debt	3,126,338	4,709,793
Gain on change in fair value of derivative liabilities	(185,000)	(1,401,373)
(Gain) loss on change in fair value of warrant liabilities	(76,904,488)	77,638,662
Deferred taxes	(65,000)	(73,000)
Depreciation and amortization	1,425,349	655,658
Amortization of debt discounts	1,538,773	9,047,721
Amortization of right-of-use assets	539,614	437,551
Changes in operating assets and liabilities:		

Accounts receivable	(2,291,630)	416,958
Contract assets	(2,286,367)	51,173
Inventories	244,271	920,373
Prepaid expenses and other current assets	489,309	202,844
Other assets	30,593	–
Accounts payable and accrued expenses	12,078,710	1,520,117
Contract liabilities	(396,542)	(2,190,030)
Operating lease liabilities	(635,362)	(434,004)
Net cash provided by (used in) operating activities from continuing operations	3,359,054	(14,635,636)
Net cash provided by operating activities from discontinued operations	–	2,021,604
Net cash provided by (used in) operating activities	3,359,054	(12,614,032)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid in the acquisition of CMD, net of cash acquired	–	(16,280,816)
Proceeds from the sale of High Mountain	–	15,801,868
Proceeds held in escrow from the sale of High Mountain	–	1,358,968
Reduction of High Mountain escrow proceeds	(921,772)	–
Purchases of property and equipment	(240,517)	(1,218)
Proceeds from the disposal of property and equipment	71,300	13,000
Net cash provided by (used in) investing activities from continuing operations	(1,090,989)	891,802
Net cash from investing activities from discontinued operations	–	–
Net cash provided by (used in) investing activities	(1,090,989)	891,802
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from notes payable	465,650	4,954,300
Net proceeds from issuance of common shares and warrants in connection with public offerings	–	24,456,826
Repayments of notes payable and finance lease liabilities	(4,305,537)	(10,708,138)
Repayments of related party note payable	(302,295)	–
Repayments of convertible notes payable	–	(1,771,181)
Net cash provided by (used in) financing activities from continuing operations	(4,142,182)	16,931,807
Net cash used in financing activities from discontinued operations	–	(1,701,500)
Net cash provided by (used in) financing activities	(4,142,182)	15,230,307
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH FROM CONTINUING OPERATIONS	(1,874,117)	3,187,973
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of the period	3,861,418	673,445
End of the period	$ 1,987,301	$ 3,861,418
Reconciliation to consolidated balance sheets:		
Cash and cash equivalents	$ 1,987,301	$ 2,502,450
Restricted cash	–	1,358,968
Total cash, cash equivalents, and restricted cash	$ 1,987,301	$ 3,861,418
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 88,808	$ 4,591,177
Cash paid for income taxes	$ 134,941	$ 40,000
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Deemed dividend from down round provision in warrants	$ –	$ 1,000
Accrued dividends on series A preferred shares	$ 35,505	$ 144,435
Accrued dividends on series B preferred shares	$ –	$ 2,509
Accrued dividends on series C preferred shares	$ 50,162	$ 18,003
Accrued dividends on series D preferred shares	$ 213,334	$ 96,649
Issuance of common shares upon settlement of accrued series A dividends	$ –	$ 130,968
Issuance of common shares upon settlement of accrued series B dividends	$ –	$ 13,299
Issuance of common shares upon conversion of series A preferred shares	$ –	$ 152,200
Issuance of common shares upon conversion of series B preferred shares	$ –	$ 240,499
Issuance of common shares upon cashless exercise of warrants	$ 26,877	$ 16,495
Debt discount on notes payable	$ 380,000	$ 1,836,434
Fair value of notes payable issued for services	$ –	$ 492,000
Fair value of warrant liabilities recognized upon issuance warrants	$ –	$ 24,667,526
Fair value of derivative liabilities recognized upon issuance of promissory notes	$ –	$ 1,699,727
Extinguishment of warrant liability upon exercise of warrants	$ 254,700	$ 16,526,400
Issuance of common shares upon conversion of convertible notes payable and accrued interest	$ 324,590	$ 4,141,427
Issuance of warrants in connection with a private debt offering	$ –	$ 7,573
Issuance of series D preferred shares in connection with a private debt offering	$ –	$ 600,100
Reclassification of accrued interest to notes payable	$ –	$ 17,954
Settlement of 1847 Manager accrued expenses and transaction fees to distribution receivable	$ –	$ 2,000,000
Financed purchases of property and equipment	$ –	$ 123,691
Net assets acquired in the acquisition of CMD	$ –	$ 5,309,876
Net assets from dispositions of subsidiaries	$ –	$ 7,593,972
Operating lease right-of-use asset and liability measurement	$ 441,092	$ –

The accompanying notes are an integral part of these consolidated financial statements

1847 HOLDINGS LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1—ORGANIZATION AND NATURE OF BUSINESS

1847 Holdings LLC (the "Company") was formed under the laws of the State of Delaware on January 22, 2013. The Company is an acquisition holding company, focused on acquiring and managing a group of small and middle-market businesses in a variety of different industries headquartered in North America. As of December 31, 2025, the Company operates through four reportable segments within two primary industries. The subsidiaries' business operations are managed by 1847 Partners LLC, a Delaware limited liability company (the "Manager"), pursuant to a management services agreement between the Company and the Manager. See

Note 16—Related Parties for additional information.

On May 28, 2020, the Company's subsidiary 1847 Asien Inc., a Delaware corporation ("1847 Asien"), acquired Asien's Appliance, Inc., a California corporation ("Asien's"). It provided a wide variety of appliance services, including sales, delivery/installation, in-home service and repair, extended warranties, and financing. The Company owns 95% of 1847 Asien, with the remaining 5% held by a third-party, and 1847 Asien owned 100% of Asien's. See "Discontinued Operations" below for information regarding the discontinuation of Asien's.

On September 30, 2020, the Company's subsidiary 1847 Cabinet Inc., a Delaware corporation ("1847 Cabinet"), acquired Kyle's Custom Wood Shop, Inc., an Idaho corporation ("Kyle's"). Kyle's is a leading custom cabinetry maker since 1976 in Boise, Idaho and the surrounding area. The Company owns 92.5% of 1847 Cabinet, with the remaining 7.5% held by a third-party, and 1847 Cabinet owns 100% of Kyle's.

On March 30, 2021, the Company's subsidiary 1847 Wolo Inc., a Delaware corporation ("1847 Wolo"), acquired Wolo Mfg. Corp., a New York corporation, and Wolo Industrial Horn & Signal, Inc., a New York corporation (collectively referred to as "Wolo"). Headquartered in Deer Park, New York and founded in 1965, Wolo designs and sells horn and safety products for cars, trucks, industrial equipment and emergency vehicles. The Company owns 92.4% of 1847 Wolo, with the remaining 7.6% held by third parties, and 1847 Wolo owns 100% of Wolo Mfg. Corp. and Wolo Industrial Horn & Signal, Inc.

On October 8, 2021, 1847 Cabinet acquired High Mountain Door & Trim Inc., a Nevada corporation ("High Mountain"), and Sierra Homes, LLC d/b/a Innovative Cabinets & Design, a Nevada limited liability company ("ICD"). Headquartered in Reno, Nevada and founded in 2014, High Mountain specialized in all aspects of finish carpentry products and services. Headquartered in Reno, Nevada and founded in 2008, ICD specializes in custom cabinetry and countertops. On April 1, 2022, 1847 Cabinet transferred all of its shares of High Mountain to ICD, as a result of which ICD owned 92.5% of High Mountain, with the remaining 7.5% held by a third-party. See "Discontinued Operations" below for information regarding the sale of High Mountain.

On February 9, 2023, the Company's subsidiary, 1847 ICU Holdings Inc., a Delaware corporation ("1847 ICU"), acquired ICU Eyewear Holdings, Inc., a California corporation, and its subsidiary ICU Eyewear, Inc., a California corporation (collectively referred to as "ICU Eyewear"). Headquartered in Hollister, California and founded in 1956, ICU Eyewear specialized in the sale and distribution of reading eyewear and sunglasses, blue light blocking eyewear, sun readers, and other outdoor specialty sunglasses, as well as personal protective equipment, including face masks and other select health and personal care items. The Company owns 100% of 1847 ICU and 1847 ICU owned 100% of ICU Eyewear. See "Discontinued Operations" below for information regarding the discontinuation of ICU Eyewear.

On December 16, 2024, the Company's subsidiary, 1847 CMD Inc., a Delaware corporation ("1847 CMD"), acquired CMD Inc., a Nevada corporation, and its subsidiary CMD Finish Carpentry LLC, a Nevada limited liability company (collectively referred to as "CMD"). Headquartered in Las Vegas, Nevada and founded in 2012, CMD specializes in finish carpentry and related products and services, including doors, frames, trim, hardware, millwork, cabinetry, and specialty construction accessories for general contractors, commercial developers, residential builders and homeowners, and government entities. The Company owns 100% of 1847 CMD and 1847 CMD owns 100% of CMD. See *Note 5—Business Combinations* for additional information.

Discontinued Operations

On February 26, 2024, Asien's entered into a general assignment for the benefit of its creditors (the "Assignment Agreement") with SG Service Co., LLC, pursuant to which Asien's transferred ownership of all or substantially all of its right, title, and interest in, as well as custody and control of, its assets to SG Service Co., LLC in trust.

The Company is a limited guarantor of an Amended and Restated Credit and Security Agreement (the "ICU Loan Agreement") that was entered into on September 11, 2023, between AB Lending SPV I LLC d/b/a Mountain Ridge Capital (the "ICU Lender"), and ICU Eyewear and 1847 ICU (the "ICU Parties"). Pursuant to the ICU Loan Agreement, the ICU Lender had a security interest in all the assets of ICU Eyewear. ICU Eyewear was in default under the ICU Loan Agreement and, with the approval of the other ICU Parties, consented to a foreclosure by the ICU Lender and private sale of substantially all of its assets in an Article 9 sale process, pursuant to Section 9-610 of the Uniform Commercial Code as in effect in the State of New York and Section 9-610 of the Uniform Commercial Code as in effect in the State of California. On August 5, 2024, ICU Eyecare Solutions Inc., an entity that is not affiliated with the Company, was the successful bidder with a cash bid of $4,250,000. Pursuant to an agreement dated August 5, 2024, and in consideration for such purchase price, the ICU Lender having foreclosed on its security interest in all of the assets of ICU Eyewear then conveyed all of its rights, title, and interest in all of such assets to ICU Eyecare Solutions Inc.

On September 30, 2024, the Company entered into an asset purchase agreement (the "Purchase Agreement") with BFS Group LLC ("BFS") and High Mountain, pursuant to which the Company sold substantially all of the assets of High Mountain to BFS for an aggregate cash only purchase price of $17,000,000, subject to certain pre-closing and post-closing adjustments.

The results of operations of Asien's, ICU Eyewear, and High Mountain are reported as discontinued operations for the year ended December 31, 2024. Unless otherwise noted, amounts and disclosures throughout these notes to consolidated financial statements relate solely to continuing operations and exclude all discontinued operations. See *Note 4—Discontinued Operations* for additional information.

During the first quarter of 2025, the Company classified the assets and liabilities of its Wolo subsidiary as held for sale. In the fourth quarter of 2025, the Company determined that Wolo no longer met the criteria for held for sale classification due to a change in management's intent, as the Company decided to retain and rebuild Wolo's operations. Accordingly, the assets and liabilities of Wolo were reclassified from held for sale. The results of Wolo's operations are included within continuing operations for all periods presented in these consolidated financial statements.

NOTE 2—LIQUIDITY AND GOING CONCERN ASSESSMENT

Management assesses liquidity and going concern uncertainty in the Company's consolidated financial statements to determine whether there is sufficient cash on hand and working capital, including available borrowings on loans, to operate for a period of at least one year from the date the financial statements are issued, which is referred to as the "look-forward period," as defined in generally accepted accounting principles in the United States of America ("GAAP"). As part of this assessment, based on conditions that are known and reasonably knowable to management, management considered various scenarios, forecasts, projections, estimates and made certain key assumptions, including the timing and nature of projected cash expenditures or programs, its ability to delay or curtail expenditures or programs and its ability to raise additional capital, if necessary, among other factors. Based on this assessment, management made certain assumptions around implementing curtailments or delays in the nature and timing of programs and expenditures to the extent it deems probable those implementations can be achieved and management has the proper authority to execute them within the look-forward period.

As of December 31, 2025, the Company had cash and cash equivalents of $1,987,301, an accumulated deficit of $109,599,852, and a working capital deficit of $43,065,927. For the year then ended, the Company generated operating income of $3,981,712 and net cash provided by operating activities of $3,359,054.

Notwithstanding current-year operating income and positive operating cash flows, the Company does not expect to have sufficient cash and other liquid resources to meet its obligations as they become due over the next twelve months, primarily due to the magnitude of its current liabilities and significant near-term debt maturities. These conditions, considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the consolidated financial statements are issued.

Management plans to address these conditions by securing additional capital through debt and equity financing, including potential public and private offerings of the Company's securities, evaluating opportunities to refinance or extend the maturity of existing debt obligations, implementing reductions in discretionary operating expenditures to the extent practicable, and exploring strategic alternatives with respect to its operating subsidiaries to reduce debt obligations. Management has evaluated whether it is probable that these plans would be effectively implemented and, if so, whether they would mitigate the relevant conditions or events that raise substantial doubt within the next twelve months. Because these plans are subject to market conditions and reliance on third parties, and because there is no assurance that the Company will be able to raise capital on acceptable terms or at all, management has concluded that substantial doubt about the Company's ability to continue as a going concern has not been alleviated as of the date these consolidated financial statements are issued.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amounts and classification of liabilities that might result should the Company be unable to continue as a going concern. If the Company is unable to obtain adequate capital, it could be forced to cease or curtail its operations.

NOTE 3—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Company are prepared in accordance with GAAP as codified in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The

accompanying consolidated financial statements include the results of operations of CMD subsequent to the acquisition date of December 16, 2024. See *Note 5—Business Combinations* for additional information.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned or controlled subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Noncontrolling interests represent the portion of equity in consolidated subsidiaries not attributable to, or controllable by, the Company and are presented as a separate component of shareholders' deficit in the consolidated balance sheets. Net income or loss attributable to noncontrolling interests is presented separately in the consolidated statements of operations.

Reverse Share Splits

On July 8, 2024, the Company effected a 1-for-13 reverse split of its outstanding common shares. On November 11, 2024, the Company effected a 1-for-15 reverse split of its outstanding common shares. All outstanding common shares and warrants were adjusted to reflect both the 1-for-13 and 1-for-15 reverse splits, with the respective exercise prices of the warrants proportionately increased. The outstanding convertible notes and preferred shares conversion prices were adjusted to reflect a proportional decrease in the number of common shares to be issued upon conversion.

All share and per share data throughout these consolidated financial statements have been retroactively adjusted to reflect the reverse share splits. As a result of the reverse common share splits, an amount equal to the decreased par value of common shares was reclassified from common shares to additional paid-in capital. The total number of authorized common shares did not change as a result of either reverse split.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include, but are not limited to, revenue recognition, allowance for estimated credit losses, reserves for excess and obsolete inventory, impairment evaluations of long-lived assets and goodwill, fair value measurements of warrant liabilities, fair value of assets acquired and liabilities assumed in business combinations, and assessments of contingent liabilities.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less. The Company maintains deposits in several financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses on deposits in excess of FDIC limits. As of December 31, 2025 and 2024, the Company had $1,473,110 and $1,474,367, respectively, in excess of FDIC limits.

Segment Reporting

The Company reports segment information in accordance with ASC 280, "*Segment Reporting*." Operating segments are defined as components of an enterprise for which separate financial information is available and is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance. The Company's CODM is its Chief Executive Officer ("CEO").

The Company's operating segments are its individual operating subsidiaries, which reflects the manner in which the CODM evaluates financial performance, allocates resources, and makes operating decisions. Given the Company's business model of acquiring, managing, and monetizing a portfolio of small and middle-market operating businesses, the CODM reviews the financial results of each subsidiary independently. The Company's reportable segments are Kyle's, Wolo, ICD and CMD. Corporate services represent holding company activities, including corporate overhead, intercompany eliminations, and other activities not allocated to the reportable segments.

Revenue Recognition and Cost of Revenues

The Company records revenue in accordance with ASC 606, "*Revenue from Contracts with Customers*." Revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five-step approach: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as a performance obligation is satisfied.

Construction — Kyle's, ICD, and CMD

Revenue in the construction operations of Kyle's, ICD, and CMD is derived primarily from contracts with customers for finish carpentry and related services, including doors, frames, trim, hardware, millwork, cabinetry, and specialty construction accessories. The Company accounts for a contract when it has approval and commitment from both parties, the rights and payment terms are identified, the contract has commercial substance, and collectability of consideration is probable.

The transaction price is allocated to each distinct performance obligation within a contract and recognized as revenue when, or as, the performance obligation is satisfied. The Company's contracts consist of a single performance obligation, as the promised goods and services are highly interdependent and not separately identifiable from other promises within the contract and, therefore, are not distinct.

Revenue for each contract is generally recognized over time due to the continuous transfer of control to the customer as work is performed at the customer's site and, therefore, the customer controls the asset as it is being installed. The Company generally measures progress toward completion using the cost-to-cost input method, as it best depicts the transfer of control of goods and services to the customer. Under this method, progress is measured based on the ratio of costs incurred to date to the total estimated costs at completion, with revenue recognized proportionally as costs are incurred. Incurred costs include all direct materials, labor, subcontractor expenses, and other indirect costs related to contract performance.

Estimating the total expected cost at completion requires significant judgment. The Company regularly reviews and updates cost estimates quarterly or more frequently if circumstances change. External factors such as weather conditions, supply chain disruptions, and customer delays may impact contract progress, potentially affecting the timing and amount of revenue recognition, cash flow, and overall contract profitability.

For certain customers, the Company applies the right-to-invoice practical expedient and recognizes revenue in the amount it is entitled to invoice when that amount corresponds directly with the value of the performance to date. An immaterial portion of sales, primarily retail sales, is accounted for on a point-in-time basis when the sale occurs. Sales taxes, when incurred, are recorded as a liability and excluded from revenue on a net basis.

Contracts can be subject to modification to account for changes in contract specifications and requirements. A contract modification exists when a change in scope or price creates new, or modifies existing, enforceable rights and obligations. Contract modifications relate to goods or services that are not distinct from the existing contract due to the significant integration of services provided, and are therefore accounted for as part of the existing contract. The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue on a cumulative catch-up basis.

The Company provides assurance-type warranties on certain installed products and services, which do not represent a separate performance obligation. Due to the nature of the Company's projects, including contract owner inspections during construction and prior to acceptance, warranty-related costs have historically been immaterial.

Cost of revenues for the construction operations consists of direct materials, labor, subcontractor costs, and other costs directly attributable to contract performance.

Automotive Supplies

Revenue in the automotive supplies operations of Wolo is derived primarily from the sale of horn and safety warning lights for cars, trucks, industrial equipment, and emergency vehicles. The Company sells its automotive and supplies products to big-box national retail chains, through specialty and industrial distributors, as well as online and mail order retailers and original equipment manufacturers.

Revenue from the sale of automotive and supplies products is recognized at a point in time when control of the promised goods or services is transferred to the customer, generally at the time of shipment or delivery, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The consideration promised includes fixed and variable amounts. The fixed amount of consideration is the standalone selling price of the goods sold. Variable consideration, including cash discounts, rebates, warranties, and estimated returns are deducted from gross sales in determining net sales at the time revenues are recorded. The Company includes in the transaction price an amount of variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Any sales taxes collected from customers are remitted to governmental authorities and excluded from revenues.

The Company collects payments for internet and phone orders from the customer at the time the order is shipped. Customers placing orders with a purchase order through the EDI (Electronic Data Interchange) are allowed to purchase on credit and make payment after receipt of product on the agreed-upon terms.

Cost of revenues for the automotive supplies operations consists of product costs, inbound freight and import duties, inventory write-downs, and other costs incurred in bringing products to their saleable condition.

Contract Assets and Liabilities

Contract assets represent revenue recognized in excess of amounts billed to customers in the construction operations, and include retainage receivables and job-specific material purchases procured exclusively to fulfill specific customer contracts. Retainage consists of amounts withheld by the customer that are not invoiced until specific contractual milestones are met, typically upon contract completion. Job-specific materials, such as cabinetry, doors, and trim, are custom-selected for individual contracts, are not available for resale to other customers, and are installed or delivered as part of satisfying the underlying performance obligation. These costs are capitalized as contract fulfillment costs in accordance with ASC 340-40 "*Other Assets and Deferred Costs—Contracts with Customers*," rather than classified as inventory, as they do not represent assets held for sale in the ordinary course of business.

Contract liabilities represent either advance payments received from customers prior to the satisfaction of performance obligations or amounts billed to customers in excess of revenue recognized.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist of trade receivables arising from credit sales to customers in the normal course of business, including retainage receivables in the construction operations. Retainage receivables represent amounts withheld by customers pending satisfactory completion of each installation project.

Accounts receivable are recorded at the invoiced amount, net of an allowance for current expected credit losses. In accordance with ASC 326, "*Financial Instruments—Credit Losses*," the Company estimates expected credit losses on accounts receivable using the aging schedule method, incorporating historical loss experience, the creditworthiness of customers, prevailing economic conditions, and reasonable and supportable forward-looking information. Accounts receivable balances are written off when they are determined to be uncollectible. As of December 31, 2025 and 2024, the allowance for current expected credit losses for accounts receivable amounted to $109,600 and $111,027, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash balances at financial institutions which, at times, may exceed FDIC limits. The Company has not experienced any significant losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company performs ongoing credit evaluations of its customers and does not require collateral. As of December 31, 2025, CMD accounted for approximately 91.4% and 83.8% of consolidated accounts receivable and revenues, respectively. The concentration of CMD's customer base within a single geographic market and industry exposes the Company to risk if economic conditions in that market deteriorate.

For the year ended December 31, 2025, one customer accounted for approximately 17.8% of consolidated revenues. As of December 31, 2025, two customers accounted for approximately 20.1% and 14.4% of consolidated accounts receivable, respectively.

Inventories

Inventories consist of finished goods, raw materials, and inventory in transit, and are stated at the lower of cost or net realizable value. Cost is determined using the weighted-average cost method and includes freight, non-refundable taxes, duty, and other handling costs incurred in bringing inventories to their present location and condition. Work in process inventories are immaterial to the consolidated financial statements.

The Company periodically reviews its inventories and records a provision for estimated losses related to excess, damaged, slow-moving, or obsolete inventories. The provision is measured as the difference between the carrying cost of the inventories and their net realizable value based upon assumptions about product quality, future demand, selling prices, and market conditions. As of December 31, 2025 and 2024, the reserve for obsolescence amounted to $279,200 and $492,574, respectively.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation. Maintenance and repairs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Description	Useful Life (Years)
Machinery and equipment	3–5
Office furniture and equipment	1–5
Transportation equipment	2–5
Leasehold improvements	Lesser of lease term or estimated useful life

Leases

The Company evaluates all contracts at inception or upon modification to determine whether the contract contains a lease in accordance with ASC 842, "*Leases*." A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset exists when the lessee has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct its use. Contracts containing a lease are further evaluated for classification as operating or finance leases.

Operating Leases

At lease commencement, the Company recognizes right-of-use ("ROU") assets and related lease liabilities on the consolidated balance sheets for leases with a term greater than twelve months. Lease liabilities and their corresponding ROU assets are initially measured at the present value of the unpaid lease payments as of the commencement date. If a lease contains renewal or termination options, those options are included in the lease term when the Company is reasonably certain they will be exercised. Because the Company's leases generally do not provide an implicit rate, the Company uses an estimated incremental borrowing rate ("IBR") based on information available at the lease commencement date to determine the present value of lease payments. The IBR represents the rate the Company would incur to borrow on a collateralized basis over a similar term in an amount equal to the lease payments.

When calculating the present value of lease payments, the Company accounts for lease and non-lease components as a single lease component. Variable lease payments are expensed as incurred. The Company does not recognize ROU assets and lease liabilities for short-term leases with an initial lease term of 12 months or less.

Finance Leases

Leases that transfer substantially all of the risks and rewards of ownership of the underlying asset to the Company are accounted for as finance leases. At lease commencement, the Company recognizes a ROU asset and a corresponding lease liability measured at the present value of the unpaid lease payments. Lease cost for finance leases consists of amortization of the ROU asset and interest expense on the lease liability. The ROU asset is amortized on a straight-line basis and recognized within depreciation and amortization expense, while interest on the lease liability is recognized using the effective interest method and recorded as interest expense in the consolidated statements of operations. Finance lease ROU assets are amortized over the shorter of the lease term or the estimated useful life of the underlying asset, unless the Company is reasonably certain to exercise a purchase option, in which case the ROU asset is amortized over the estimated useful life of the underlying asset.

Discontinued Operations

The Company evaluates all disposal transactions to determine whether they qualify for reporting as discontinued operations in accordance with ASC 205-20, "*Discontinued Operations*." A disposal is reported in discontinued operations if it represents a strategic shift that has, or will have, a major effect on the Company's operations and financial results, and meets the criteria for classification as held for sale, disposal by sale, or disposal other than by sale (for example, by abandonment or in a distribution to owners in a spin-off).

The results of operations of the discontinued components, including any gain or loss on disposal, are presented net of applicable income taxes as a separate component in the consolidated statements of operations for all prior periods presented. Assets and liabilities associated with discontinued operations are presented as separate line items on the consolidated balance sheets for prior periods.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, "*Business Combinations*." Under the acquisition method, the purchase price is allocated to the tangible and intangible assets acquired, liabilities assumed, and any noncontrolling interest based on their estimated fair values at the acquisition date. The excess of the purchase price over the net fair values of assets acquired and liabilities assumed is recognized as goodwill. Fair values are determined using recognized valuation methodologies including the income, cost, and market approaches in accordance with ASC 820, "*Fair Value Measurement*," and incorporate assumptions such as discount rates, royalty rates, and the amount and timing of future cash flows. Purchase price allocations are initially based on preliminary estimates and may be revised as additional information becomes available, up to one year from the acquisition date. Acquisition-related costs are expensed as incurred.

Intangible Assets

Acquired identifiable intangible assets are amortized over their estimated useful lives on a straight-line basis. Estimated useful lives are determined based on the period which the intangible assets are expected to contribute to future cash flows. The Company has no indefinite-lived intangible assets. Amortization is calculated using the straight-line method over the estimated useful lives as follows:

Description	Useful Life (Years)
Customer-related	15
Marketing-related	4–5

Long-Lived Assets

The Company reviews the carrying value of long-lived assets, including property and equipment, ROU assets, and definite-lived intangible assets for impairment in accordance with ASC 360, "*Property, Plant, and Equipment*," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These events and circumstances may include significant decreases in the market price of an asset or asset group, significant changes in the extent or manner in which an asset or asset group is being used or in its physical condition, a significant change in legal factors or in the business climate, a history or forecast of operating losses or negative cash flows, significant disposal activity, or a significant decline in revenue or adverse changes in the economic environment.

If such facts indicate a potential impairment, the Company assesses recoverability by comparing the carrying value of the asset group to the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the carrying value exceeds the undiscounted cash flows, the Company measures the impairment loss as the difference between the carrying amount and the estimated fair value of the asset group, determined using appropriate valuation methodologies, which would typically include discounted cash flows.

During the years ended December 31, 2025 and 2024, the Company recorded no impairment charges related to long-lived assets.

Goodwill

In accordance with ASC 350, "*Intangibles—Goodwill and Other*," the Company tests goodwill for impairment annually on October 1, or more frequently when events or circumstances indicate an impairment may have occurred. When assessing goodwill for impairment, the Company may first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative assessment considers factors including the current operating environment, industry and market conditions, and overall financial performance. If the Company bypasses the qualitative assessment, or concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company performs a quantitative assessment by comparing the estimated fair value of the reporting unit to its carrying amount.

The Company estimates the fair value of its reporting units using the present value of estimated future cash flows, which requires considerable management judgment regarding the impact of operating and macroeconomic changes. Significant assumptions include past performance, current and anticipated market conditions, forecasted growth rates, and estimated discount rates. If the fair value of a reporting unit is less than its carrying amount, an impairment charge is recognized for the difference.

During the years ended December 31, 2025 and 2024, the Company recorded goodwill impairment charges of $0 and $679,175, respectively.

Embedded Derivative Liabilities

The Company evaluates the embedded features of its financial instruments, including convertible notes payable, preferred shares, and warrants, in accordance with ASC 480, "*Distinguishing Liabilities from Equity*," and ASC 815 "*Derivatives and Hedging*." Certain conversion options and redemption features are required to be bifurcated from their host instrument and accounted for as freestanding derivative financial instruments when certain criteria are met. The Company applies significant judgment to identify and evaluate complex terms and conditions for its financial instruments to determine whether such instruments are derivatives or contain features that qualify as embedded derivatives. Bifurcated embedded derivatives are recognized at fair value, with changes in fair value recognized in the consolidated statements of operations each period.

The Company maintains a sequencing policy whereby, in the event that reclassification of contracts from equity to liabilities is necessary under ASC 815 due to the Company's inability to demonstrate sufficient authorized shares, shares are allocated on the basis of the earliest maturity date of potentially dilutive instruments, with the earliest maturity date receiving the first allocation. Issuances of securities to employees and directors, or to compensate grantees in a share-based payment arrangement, are not subject to the sequencing policy.

Warrant Liabilities

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the specific terms of the warrants in accordance with ASC 480 and ASC 815-40, "*Contracts in Entity's Own Equity*." The assessment considers whether the warrants are freestanding financial instruments, meet the definition of a liability, and whether they meet all of the requirements for equity classification, including whether the warrants are indexed to the Company's own common shares and whether the warrant holders could potentially require net cash settlement in a circumstance outside of the Company's control.

Warrants that meet all the criteria for equity classification are recorded as a component of additional paid-in capital at the time of issuance. Warrants that do not meet all the criteria for equity classification are recorded at fair value on the date of issuance, with changes in fair value recognized in the consolidated statements of operations each period.

Fair Value of Financial Instruments

The fair value of a financial instrument is the price the Company would receive to sell an asset or pay to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. In the absence of observable market data, fair value is estimated using internal information consistent with what market participants would use in a hypothetical transaction.

In accordance with ASC 820, the Company classifies fair value measurements within the following three-level hierarchy based on the observability of inputs used:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data and reflect the Company's own assumptions about the inputs market participants would use.

The Company holds certain assets and liabilities measured at fair value on a recurring and nonrecurring basis. See *Note 13—Fair Value Measurements* for additional information.

Commitments and Contingencies

The Company accounts for commitments and contingencies in accordance with ASC 450, "*Contingencies*." Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. If a range of loss is determined to be probable and no amount within the range is a better estimate than another, the minimum amount of the range is recorded. If a loss is reasonably possible but not probable, the Company discloses the nature of the contingency and an estimate of the possible loss or range of loss if such estimate can be made. Contingencies include, but are not limited to, litigation, regulatory matters, contractual obligations, and other claims arising in the normal course of business.

Stock-Based Compensation

The Company measures stock-based awards granted to employees, nonemployee directors, and consultants at fair value and recognizes stock-based compensation expense in accordance with ASC 718, "*Compensation—Stock Compensation*." For service-based awards, compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period. The fair value of stock options is estimated using a Black-Scholes option pricing model. Restricted stock awards are valued at the closing price of the Company's common shares on the date of grant. The Company recognizes forfeitures as they occur.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC 740, "*Income Taxes*." Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and establishes a valuation allowance if, based on the weight of available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized.

The Company recognizes the tax benefit of an uncertain tax position only if it is more likely than not that the position will be sustained upon examination by the taxing authority, including resolution of any related appeals or litigation. The tax benefit recognized is measured as the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting the weighted-average number of common shares outstanding for the dilutive effect, if any, of common share equivalents. Common share equivalents whose effect would be antidilutive are excluded from the calculation of diluted earnings (loss) per share. For liability-classified instruments such as warrant liabilities, the two-class method is applied whereby the numerator is adjusted to remove the effect of fair value changes on such instruments when the related shares are included in the diluted share count. See *Note 21—Earnings (Loss) Per Share* for additional information.

Recently Adopted Accounting Pronouncements

In August 2023, the FASB issued Accounting Standards Update ("ASU") 2023-05, "*Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*," which requires a newly-formed joint venture to apply a new basis of accounting to its contributed net assets, resulting in the joint venture initially measuring its contributed net assets at fair value on the formation date. ASU 2023-05 is effective for all joint venture formations with a formation date on or after January 1, 2025, with early adoption permitted. These amendments are to be applied prospectively, with retrospective application permitted for joint ventures formed before the effective date. The adoption of ASU 2023-05 did not have a material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*," which enhances the transparency and decision usefulness of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. These amendments are to be applied prospectively, with retrospective application permitted. The adoption of ASU 2023-09 did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, "*Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*," which requires disaggregated disclosure of specific expense categories, including purchases of inventory, employee compensation, depreciation, and amortization included in each relevant expense caption presented on the statement of operations. The standard also requires a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, as well as the total amount of selling expenses and an entity's definition of selling expenses. ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In July 2025, the FASB issued ASU 2025-05, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*," which introduces a practical expedient for the application of the current expected credit loss model to current accounts receivable and contract assets. The amendment is effective for interim and annual periods beginning after December 15, 2025, with early adoption permitted. This amendment is to be applied on a prospective basis. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*." This

guidance removes references to project stages throughout ASC 350-40 and clarifies the threshold entities apply to begin capitalizing costs. Under the new standard, cost capitalization should only commence when an entity has committed to funding a software project and it is probable the project will be completed and the software will be used for its intended purpose. The amendments are effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Entities may apply the guidance using a prospective, retrospective or modified transition approach. Early adoption is permitted as of the beginning of an annual reporting period. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

The Company currently believes there are no other issued and not yet effective accounting standards that are materially relevant to its consolidated financial statements.

NOTE 4—DISCONTINUED OPERATIONS

Asien's Assignment for the Benefit of Creditors

As described in *Note 1—Organization and Nature of Business*, on February 26, 2024, Asien's entered into the Assignment Agreement, pursuant to which Asien's transferred ownership of all or substantially all of its right, title, and interest in, as well as custody and control of, its assets to SG Service Co., LLC in trust. The Company received no cash consideration related to the assignment. Following the assignment, the Company retained no financial interest in Asien's.

The assignment of Asien's represents a strategic shift and its results are reported as discontinued operations for the year ended December 31, 2024. The Company recognized a gain on disposition of Asien's of $1,060,095, presented as a separate component of discontinued operations in the consolidated statements of operations for the year ended December 31, 2024.

The following table presents the major classes of line items constituting the results of discontinued operations of Asien's in the consolidated statements of operations for the year ended December 31, 2024:

	Year Ended December 31, 2024
Revenues	$ 870,952
Operating Expenses	
Cost of revenues	744,706
Personnel	98,213
Depreciation and amortization	7,702
General and administrative	203,377
Professional fees	78,807
Total Operating Expenses	1,132,805
Loss from operations	(261,853)
Interest expense	(724)
Net loss from discontinued operations before income taxes	(262,577)
Income tax provision	–
Net loss from discontinued operations	$ (262,577)
Net loss attributable to noncontrolling interests from discontinued operations	13,129
Net loss from discontinued operations attributable to 1847 Holdings	$ (249,448)

The following table presents the major classes of cash flow activities from discontinued operations of Asien's in the consolidated statements of cash flows for the year ended December 31, 2024:

	Year Ended December 31, 2024
Cash flows from operating activities:	
Net loss	$ (262,577)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	7,702
Changes in operating assets and liabilities:	
Receivables	73,769
Inventory	213,399
Prepaid expenses and other current assets	108,686
Accounts payable and accrued expenses	320,362
Customer deposits	(474,803)
Net cash used in operating activities from discontinued operations	(13,462)
Cash flows from financing activities:	
Repayments of notes payable	(4,836)
Net cash used in financing activities from discontinued operations	(4,836)
Net change in cash and cash equivalents from discontinued operations	$ (18,298)

ICU Eyewear Foreclosure Sale

As described in *Note 1—Organization and Nature of Business*, ICU Eyewear was in default under the ICU Loan Agreement and, with the approval of the other ICU Parties, consented to a foreclosure by the ICU Lender and private sale of substantially all of its assets in an Article 9 sale process, pursuant to Section 9-610 of the Uniform Commercial Code as in effect in the State of New York and Section 9-610 of the Uniform Commercial Code as in effect in the State of California. On August 5, 2024, ICU Eyecare Solutions Inc., an entity that is not affiliated with the Company, was the successful bidder with a cash bid of $4,250,000. Pursuant to an agreement, dated August 5, 2024, and in consideration for such purchase price, the ICU Lender having foreclosed on its security interest in all of the assets of ICU Eyewear then conveyed all of its rights, title, and interest in all of such assets to ICU Eyecare Solutions Inc. The Company received no cash consideration related to the sale. Following the sale, the Company retained no financial interest in ICU Eyewear.

The foreclosure sale of ICU Eyewear's assets represents a strategic shift and its results are reported as discontinued operations for the year ended December 31, 2024. The Company recognized a gain on disposition of ICU Eyewear's assets of $4,516,735, presented as a separate component of discontinued operations in the consolidated statements of operations for the year ended December 31, 2024.

The following table presents the major classes of line items constituting the results of discontinued operations of ICU Eyewear in the consolidated statements of operations for the year ended December 31, 2024:

		Year Ended December 31, 2024
Revenues	$	8,212,395
Operating Expenses		
Cost of revenues		5,658,551
Personnel		1,564,842
Depreciation and amortization		248,646
General and administrative		1,526,278
Professional fees		672,855
Impairment of goodwill and intangible assets		1,216,966
Total Operating Expenses		10,888,138
Loss from operations		(2,675,743)
Other Income (Expense)		
Other income		2,583
Interest expense		(911,437)
Amortization of debt discounts		(683,029)
Total Other Expense		(1,591,883)
Net loss from discontinued operations before income taxes		(4,267,626)
Income tax benefit		11,250
Net loss from discontinued operations	$	(4,256,376)

The following table presents the major classes of cash flow activities from discontinued operations of ICU Eyewear in the consolidated statements of cash flows for the year ended December 31, 2024:

		Year Ended December 31, 2024
Cash flows from operating activities:		
Net loss	$	(4,256,376)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Impairment of goodwill and intangible assets		1,216,966
Deferred taxes		(15,000)
Depreciation and amortization		248,646
Amortization of debt discounts		683,029
Amortization of right-of-use assets		192,796
Changes in operating assets and liabilities:		
Accounts receivable		481,202
Inventory		1,247,730
Prepaid expenses and other current assets		(14,895)
Accounts payable and accrued expenses		857,085
Operating lease liabilities		(176,336)
Net cash provided by operating activities from discontinued operations		464,847
Cash flows from financing activities:		
Net repayments of revolving line of credit		(80,540)
Net cash used in financing activities from discontinued operations		(80,540)
Net change in cash and cash equivalents from discontinued operations	$	384,307

Sale of High Mountain

As described in *Note 1—Organization and Nature of Business*, on September 30, 2024, the Company entered into the Purchase Agreement with BFS and High Mountain, pursuant to which the Company sold substantially all of the assets of High Mountain to BFS for an aggregate cash only purchase price of $17,000,000, subject to certain pre-closing and post-closing adjustments. At closing, the purchase price was subject to a working capital adjustment and was also reduced by the amount of outstanding indebtedness repaid at closing or assumed by BFS, as well as certain transaction expenses. Additionally, the purchase price was reduced by $1,700,000, which may be used for certain post-closing payments (the "Holdback Amount"). During the year ended December 31, 2025, the Company recorded a $921,772 reduction to the Holdback Amount related to the resolution of post-closing working capital adjustments, with the offsetting impact of this adjustment recognized in discontinued operations. As of December 31, 2025, the balance of the Holdback Amount was $0.

The sale of High Mountain's assets represents a strategic shift and its results are reported as discontinued operations for the year ended December 31, 2024. The Company recognized a gain on disposition of High Mountain's assets of $3,990,034, presented as a separate component of discontinued operations in the consolidated statements of operations for the year ended December 31, 2024.

The following table presents the major classes of line items constituting the results of discontinued operations of High Mountain in the consolidated statements of operations for the year ended December 31, 2024:

		Year Ended December 31, 2024
Revenues	$	23,438,316
Operating Expenses		
Cost of revenues		14,332,303
Personnel		4,957,525
Depreciation and amortization		445,328
General and administrative		3,148,502
Professional fees		108,439

Total Operating Expenses	22,992,097
Income from operations	446,219
Other Income (Expense)	
Other income	1,505,275
Interest expense	(227,439)
Amortization of debt discounts	(64,306)
Loss on disposal of property and equipment	(13,815)
Total Other Income	1,199,715
Net income from discontinued operations before income taxes	1,645,934
Income tax provision	(417,000)
Net income from discontinued operations	$ 1,228,934
Net income attributable to noncontrolling interests from discontinued operations	(92,170)
Net income from discontinued operations attributable to 1847 Holdings	$ 1,136,764

The following table presents the major classes of cash flow activities from discontinued operations High Mountain in the consolidated statements of cash flows for the year ended December 31, 2024:

	Year Ended December 31, 2024
Cash flows from operating activities:	
Net income	$ 1,228,934
Adjustments to reconcile net income to net cash provided by operating activities:	
Loss on disposal of property and equipment	13,815
Deferred taxes	(334,000)
Depreciation and amortization	445,328
Amortization of debt discounts	64,306
Amortization of right-of-use assets	246,765
Changes in operating assets and liabilities:	
Accounts receivable	289,761
Inventory	164,662
Prepaid expenses and other current assets	103,645
Accounts payable and accrued expenses	(259,014)
Contract liabilities	(150,298)
Operating lease liabilities	(243,685)
Net cash provided by operating activities from discontinued operations	1,570,219
Cash flows from financing activities:	
Repayments of notes payable and finance lease liabilities	(355,951)
Repayments of convertible notes payable	(1,260,173)
Net cash used in financing activities from discontinued operations	(1,616,124)
Net change in cash and cash equivalents from discontinued operations	$ (45,905)

NOTE 5—BUSINESS COMBINATIONS

Acquisition of CMD

On November 4, 2024, 1847 CMD entered into a stock and membership interest purchase agreement, as amended on December 5, 2024 and December 16, 2024, with Christopher M. Day, pursuant to which 1847 CMD agreed to acquire all of the membership interests of CMD. The acquisition was completed on December 16, 2024.

Headquartered in Las Vegas, Nevada and founded in 2012, CMD specializes in finish carpentry and related products and services, including doors, frames, trim, hardware, millwork, cabinetry, and specialty construction accessories for general contractors, commercial developers, residential builders and homeowners, and government entities. The acquisition aligns with the Company's strategy of acquiring profitable small and middle-market businesses with stable earnings and cash flows that offer attractive returns on invested capital, and enhances operational synergies within the Company's Construction operations.

The aggregate purchase price was $18,825,000, consisting of (i) $17,775,000 in cash, inclusive of certain seller transaction expenses, and (ii) a $1,050,000 promissory note payable to the seller.

The Company accounted for the acquisition using the acquisition method of accounting in accordance with ASC 805. The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date with the excess of the purchase price over the fair value of the net assets acquired recorded as goodwill. Goodwill recognized is primarily attributable to expected operational synergies and the anticipated future growth opportunities within the Company's construction operations, and is not deductible for income tax purposes.

The following table summarizes the allocation of the purchase price:

	Purchase Price Allocation
Purchase consideration at fair value:	
Cash	$ 17,775,000
Notes payable	1,050,000
Amount of consideration	$ 18,825,000
Assets acquired and liabilities assumed at fair value:	
Cash	$ 1,494,184
Accounts receivable	4,552,693
Contract assets	1,863,307

Property and equipment	457,142
Operating lease right-of-use assets	1,547,285
Customer-related intangible	9,965,000
Marketing-related intangible	605,000
Goodwill	5,309,876
Accounts payable and accrued expenses	(976,836)
Contract liabilities	(1,100,749)
Operating lease liabilities	(1,547,285)
Notes payable	(30,617)
Deferred tax liability	(3,314,000)
Net assets acquired	$ 18,825,000

The estimated useful life of property and equipment acquired ranges up to four years. The customer-related intangible asset is being amortized over 15 years and the marketing-related intangible asset over five years.

From the date of acquisition through December 31, 2024, CMD contributed revenues of $905,864 and net income from continuing operations of $47,508 to the consolidated statements of operations for the year ended December 31, 2024.

Pro Forma Information

The following unaudited pro forma financial information presents the combined results of the Company and CMD as if the acquisition had been completed on January 1, 2024, with adjustments to give effect to pro forma events directly attributable to the acquisition:

	For the Years Ended December 31,	
	2025	2024
Revenues	$ 48,272,312	$ 45,563,551
Net income (loss)	65,559,185	(93,111,448)
Net income (loss) attributable to common shareholders	$ 65,795,303	$ (92,844,801)
Basic earnings (loss) per share attributable to common shareholders	$ 1.78	$ (34.90)
Diluted loss per share attributable to common shareholders	$ (0.01)	$ (34.90)

These unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of the results of operations that would have occurred if the acquisition had been completed at the beginning of the period presented, nor are they indicative of the Company's future results of operations.

NOTE 6—DISAGGREGATION OF REVENUES AND SEGMENT REPORTING

The Company's four reportable segments are Kyle's, ICD, CMD and Wolo. The following describes the primary revenue-generating activities of each segment.

Kyle's, ICD, and CMD (Construction Operations): Revenue is derived primarily from contracts with customers for finish carpentry and related products and services, including doors, frames, trim, hardware, millwork, cabinetry, and specialty construction accessories for general contractors, commercial developers, residential builders and homeowners, and government entities.

Wolo (Automotive Supplies Operations): Revenue is derived primarily from the sale of horn and safety warning lights for cars, trucks, industrial equipment, and emergency vehicles. Wolo sells its products to big-box national retail chains, specialty and industrial distributors, online and mail order retailers, and original equipment manufacturers.

Corporate: Corporate services represent holding company activities, including corporate overhead, intercompany eliminations, and other activities not allocated to the reportable segments. The measure of segment profit or loss reviewed by the CODM is income (loss) from operations. The Company does not allocate interest expense, changes in fair value of warrant and derivative liabilities, loss on extinguishment of debt, income taxes, or other non-operating items to its reportable segments, as these items are managed at the corporate level and are not included in the measures of segment performance reviewed by the CODM.

The Company's revenues for the years ended December 31, 2025 and 2024 are disaggregated as follows:

	For the Year Ended December 31, 2025				
	Kyle's	ICD	CMD	Wolo	Total
Revenues					
Cabinetry and millwork	$ 6,593,218	$ 33,971	$ 10,795,640	$ –	$ 17,422,829
Doors, frames, hardware, and trim	–	–	28,874,707	–	28,874,707
Specialty construction accessories	–	–	797,599	–	797,599
Automotive horns	–	–	–	916,844	916,844
Automotive lighting	–	–	–	260,333	260,333
Total revenues	$ 6,593,218	$ 33,971	$ 40,467,946	$ 1,177,177	$ 48,272,312

	For the Year Ended December 31, 2024				
	Kyle's	ICD	CMD	Wolo	Total
Revenues					
Cabinetry and millwork	$ 5,318,608	$ 5,736,412	$ 171,641	$ –	$ 11,226,661
Doors, frames, hardware, and trim	–	–	720,700	–	720,700
Specialty construction accessories	–	–	13,523	–	13,523
Automotive horns	–	–	–	2,896,470	2,896,470
Automotive lighting	–	–	–	852,976	852,976
Total revenues	$ 5,318,608	$ 5,736,412	$ 905,864	$ 3,749,446	$ 15,710,330

Segment information for the years ended December 31, 2025 and 2024 is as follows:

	For the Year Ended December 31, 2025					
	Kyle's	ICD	CMD	Wolo	Corporate	Total
Revenues	$ 6,593,218	$ 33,971	$ 40,467,946	$ 1,177,177	$ –	$ 48,272,312
Operating expenses						

	Kyle's	ICD	CMD	Wolo	Corporate	Total
Cost of revenues	3,704,185	1,723	19,541,606	1,106,859	–	24,354,373
Personnel	1,054,273	21,760	4,595,923	273,567	2,228,845	8,174,368
Personnel – corporate allocation	183,664	–	1,987,000	73,502	(2,244,166)	–
Depreciation and amortization	494,548	13,870	914,307	276	2,348	1,425,349
General and administrative	701,057	388,763	2,024,742	305,781	1,339,480	4,759,823
General and administrative – management fees	250,000	250,000	300,000	300,000	–	1,100,000
General and administrative – corporate allocation	257,752	–	1,220,583	78,960	(1,557,295)	–
Professional fees	6,400	3,518	1,172,529	89,097	3,092,438	4,363,982
Loss on abandonment of right-of-use assets	–	112,705	–	–	–	112,705
Total operating expenses	6,651,879	792,339	31,756,690	2,228,042	2,861,650	44,290,600
Income (loss) from operations	$ (58,661)	$ (758,368)	$ 8,711,256	$ (1,050,865)	$ (2,861,650)	$ 3,981,712

	For the Year Ended December 31, 2024					
	Kyle's	ICD	CMD	Wolo	Corporate	Total
Revenues	$ 5,318,608	$ 5,736,412	$ 905,864	$ 3,749,446	$ –	$ 15,710,330
Operating expenses						
Cost of revenues	3,063,457	1,986,806	389,460	2,497,865	–	7,937,588
Personnel	1,015,376	2,479,599	310,953	934,895	1,798,049	6,538,872
Personnel – corporate allocation	173,140	181,460	–	173,784	(528,384)	–
Depreciation and amortization	575,835	79,547	–	276	–	655,658
General and administrative	655,089	646,445	69,239	565,115	797,955	2,733,843
General and administrative – management fees	187,500	187,500	–	300,000	1,592,000	2,267,000
General and administrative – corporate allocation	204,214	216,357	–	201,777	(622,348)	–
Professional fees	22,973	51,810	39,948	222,360	6,559,347	6,896,438
Impairment of goodwill	355,207	323,968	–	–	–	679,175
Total operating expenses	6,252,791	6,153,492	809,600	4,896,072	9,596,619	27,708,574
Income (loss) from operations	$ (934,183)	$ (417,080)	$ 96,264	$ (1,146,626)	$ (9,596,619)	$ (11,998,244)

The following table presents total assets by reportable segments as of December 31, 2025 and 2024:

	As of December 31, 2025					
	Kyle's	ICD	CMD	Wolo	Corporate	Total
Assets						
Current assets	$ 555,062	$ –	$ 13,203,694	$ 599,391	$ 242,646	$ 14,600,793
Long-lived assets	2,521,948	–	11,723,414	522	7,103	14,252,987
Goodwill	–	–	5,309,876	–	–	5,309,876
Total assets	$ 3,077,010	$ –	$ 30,236,984	$ 599,913	$ 249,749	$ 34,163,656

	As of December 31, 2024					
	Kyle's	ICD	CMD	Wolo	Corporate	Total
Assets						
Current assets	$ 1,087,225	$ 929,446	$ 8,000,724	$ 1,063,586	$ 1,549,512	$ 12,630,493
Long-lived assets	2,810,347	269,847	12,558,135	69,040	–	15,707,369
Goodwill	–	–	5,309,876	–	–	5,309,876
Total assets	$ 3,897,572	$ 1,199,293	$ 25,868,735	$ 1,132,626	$ 1,549,512	$ 33,647,738

NOTE 7—INVENTORIES

Inventories as of December 31, 2025 and 2024 consist of the following:

	December 31, 2025	December 31, 2024
Automotive supplies	$ 496,515	$ 924,023
Construction	13,067	43,204
Total inventories	509,582	967,227
Reserve for obsolescence	(279,200)	(492,574)
Total inventories, net	$ 230,382	$ 474,653

NOTE 8—PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of December 31, 2025 and 2024 consist of the following:

	December 31, 2025	December 31, 2024
Prepaid expenses	$ 68,211	$ 110,386
Prepaid inventory	–	79,134
Prepaid taxes	11,000	179,000
Other current assets	–	200,000
Total prepaid expenses and other current assets	$ 79,211	$ 568,520

NOTE 9—PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2025 and 2024 consist of the following:

December 31,	December 31,

	2025	2024
Machinery and equipment	$ 1,587,561	$ 1,547,260
Office furniture and equipment	190,150	159,700
Transportation equipment	340,505	532,843
Leasehold improvements	205,508	152,908
Total property and equipment	2,323,724	2,392,711
Less: accumulated depreciation	(1,453,148)	(1,276,705)
Total property and equipment, net	$ 870,576	$ 1,116,006

Depreciation expense for the years ended December 31, 2025 and 2024 was $458,217 and $404,681, respectively.

NOTE 10—INTANGIBLE ASSETS AND GOODWILL

Intangible assets as of December 31, 2025 and 2024 consist of the following:

	December 31, 2025	December 31, 2024
Customer-related	$ 12,692,000	$ 12,692,000
Marketing-related	899,000	899,000
Total intangible assets	13,591,000	13,591,000
Less: accumulated amortization	(2,033,786)	(1,066,654)
Total intangible assets, net	$ 11,557,214	$ 12,524,346

Amortization expense for the years ended December 31, 2025 and 2024 was $967,132 and $250,977, respectively.

Estimated amortization expense for intangible assets for each of the next five years and thereafter is as follows:

Year Ending December 31,	Amount
2026	$ 967,132
2027	967,132
2028	967,132
2029	967,132
2030	846,132
Thereafter	6,842,554
Total estimated amortization expense	$ 11,557,214

Below is a table summarizing the changes in the carrying amount of goodwill for the years ended December 31, 2025 and 2024:

	Amount
Balance as of December 31, 2023	$ 679,175
Goodwill from the acquisition of CMD	5,309,876
Impairments	(679,175)
Balance as of December 31, 2024	$ 5,309,876
Impairments	–
Balance as of December 31, 2025	$ 5,309,876

During the years ended December 31, 2025 and 2024, the Company recorded goodwill impairment charges of $0 and $679,175, respectively.

NOTE 11—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of December 31, 2025 and 2024 consist of the following:

	December 31, 2025	December 31, 2024
Trade accounts payable	$ 2,938,725	$ 1,792,819
Credit cards payable	218,843	349,570
Accrued payroll liabilities	1,931,792	1,258,227
Accrued interest	8,527,543	1,841,011
Accrued dividends	430,103	131,102
Accrued taxes	2,223,998	79,510
Accrued management fees	730,499	294,332
Accrued board fees	536,000	–
Other accrued liabilities	407,557	413,379
Total accounts payable and accrued expenses	$ 17,945,060	$ 6,159,950

NOTE 12—LEASES

The Company leases office and warehouse space, machinery and other equipment. The majority of the Company’s leases are classified as ROU operating leases, which are included in operating ROU assets and operating lease liabilities in the Company’s consolidated balance sheets. Finance leases are included in property and equipment and finance lease liabilities in the Company’s consolidated balance sheets.

Operating Leases

On December 16, 2024, in connection with the acquisition of CMD, 1847 CMD entered into a lease agreement with Delancey LLC relating to the properties leased by the CMD prior to the acquisition located in Las Vegas, Nevada. The lease provides for a base rent of $20,000 per month, which shall increase annually by an amount equal to three percent of the previous year’s base rent. In addition, 1847 CMD will be responsible for all taxes, insurance and certain operating costs during the lease term. The lease expires on December 31, 2029. The initial measurement of the ROU asset and liability associated with this operating lease was $884,163.

On December 16, 2024, in connection with the acquisition of CMD, 1847 CMD also entered into a lease agreement with CD Gowan LLC relating to the properties leased by the CMD prior to the acquisition located in

North Las Vegas, Nevada. The lease provides for a base rent of $15,000 per month, which shall increase annually by an amount equal to three percent of the previous year's base rent. In addition, 1847 CMD will be responsible for all taxes, insurance and certain operating costs during the lease term. The lease expires on December 31, 2029. The initial measurement of the ROU asset and liability associated with this operating lease was $663,122.

On February 15, 2025, CMD entered into a lease agreement for office space located in Lake Havasu City, Arizona. The lease commenced on February 15, 2025 and is for a term of three years. Under the terms of the lease, CMD will lease the premises at a monthly rate of $3,300, with scheduled annual increases. The lease agreement contains customary events of default, representations, warranties, and covenants. The measurement of the ROU asset and liability associated with this operating lease was $97,379.

On September 1, 2025, Kyle's entered into a five-year industrial lease agreement with Stephen Mallatt, Jr. and Rita Mallatt, officers of Kyle's, for office and warehouse space located in Boise, Idaho, which was amended on September 1, 2025 to extend the lease for an additional five years. Commencing on September 1, 2025, the lease provides for a base rent of $7,925, with scheduled annual increases. The lease agreement contains customary events of default, representations, warranties, and covenants. The measurement of the ROU asset and liability associated with this operating lease was $343,713.

In May 2025, ICD ceased use of a warehouse facility located in Reno, Nevada, and relocated operations to another site within the Construction operations. As the Company determined it no longer had the right to control the use of the identified asset, the associated ROU asset was written off and the Company recognized a loss on abandonment of $112,705 for the year ended December 31, 2025.

Operating leases as of December 31, 2025 and 2024 consist of the following:

	December 31, 2025	December 31, 2024
Operating lease right-of-use assets	$ 1,806,255	$ 2,017,482
Operating lease liabilities, current portion	432,333	598,534
Operating lease liabilities, long-term	1,445,726	1,473,795
Total operating lease liabilities	$ 1,878,059	$ 2,072,329
Weighted-average remaining lease term (years)	3.85	4.09
Weighted-average discount rate	14.82%	14.14%

The components of operating lease expense consist of the following for the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Fixed operating lease expense	$ 802,144	$ 494,349
Short-term and variable operating lease expense	109,273	93,681
Total operating lease expense	$ 911,417	$ 588,030

For the years ended December 31, 2025 and 2024, cash paid for amounts included in the measurement of operating lease liabilities was $774,988 and $494,349, respectively.

As of December 31, 2025, maturities of operating lease liabilities were as follows:

Year Ending December 31,	Amount
2026	$ 677,057
2027	607,504
2028	564,814
2029	573,606
2030	67,261
Total	2,490,242
Less: imputed interest	(612,183)
Total operating lease liabilities	$ 1,878,059

Finance Leases

Finance leases as of December 31, 2025 and 2024 consist of the following:

	December 31, 2025	December 31, 2024
Machinery and equipment	$ 1,079,330	$ 1,079,330
Office furniture and equipment	11,706	11,706
Total leased equipment (property and equipment)	1,091,036	1,091,036
Less: accumulated depreciation	(831,849)	(613,821)
Total leased equipment, net	$ 259,187	$ 477,215
Finance lease liabilities, current portion	192,505	182,043
Finance lease liabilities, long-term	230,693	423,198
Total finance lease liabilities	$ 423,198	$ 605,241
Weighted-average remaining lease term (years)	2.11	3.10
Weighted-average discount rate	5.16%	5.15%

The components of finance lease expense consist of the following for the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Depreciation expense	$ 218,028	$ 218,028
Interest expense	29,290	39,179
Total finance lease expense	$ 247,318	$ 257,207

As of December 31, 2025, maturities of finance lease liabilities were as follows:

Year Ending December 31,		Amount
2026	$	211,332
2027		210,042
2028		28,833
Total		450,207
Less: amount representing interest		(27,009)
Total finance lease liabilities	$	423,198

NOTE 13—FAIR VALUE MEASUREMENTS

The carrying amounts of financial assets and liabilities, including cash and cash equivalents, accounts receivable, inventories, prepaid expenses, accounts payable and accrued expenses, and contract assets and liabilities approximate fair value due to the short-term nature of these instruments. The carrying amounts of lease obligations, notes payable, and convertible notes payable approximate fair value as the stated interest rates on these instruments reflect current market rates for instruments with similar terms and credit risk.

Recurring Fair Value Measurements

The following table presents the fair value of financial instruments measured on a recurring basis as of December 31, 2025 and 2024:

	Fair Value Measurements as of December 31, 2025			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative liabilities	$ –	$ –	$ –	$ –
Warrant liabilities	–	–	8,424,500	8,424,500
Total recurring fair value measurements	–	–	$ 8,424,500	$ 8,424,500

	Fair Value Measurements as of December 31, 2024			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative liabilities	$ –	$ –	$ 185,000	$ 185,000
Warrant liabilities	–	–	85,779,788	85,779,788
Total recurring fair value measurements	–	–	$ 85,964,788	$ 85,964,788

The following table presents a rollforward of changes for financial instruments measured at fair value on a recurring basis for the years ended December 31, 2025 and 2024:

Derivative Liabilities		Amount
Balance as of December 31, 2023	$	1,389,203
Initial fair value of derivative liabilities upon issuance (limited to proceeds)		1,699,727
Gain on change in fair value of derivative liabilities		(1,401,373)
Extinguishment of derivative liabilities upon conversion		(1,502,557)
Balance as of December 31, 2024	$	185,000
Gain on change in fair value of derivative liabilities		(185,000)
Balance as of December 31, 2025	$	–

Warrant Liabilities		Amount
Balance as of December 31, 2023	$	–
Fair value of warrant liabilities upon issuance (limited to proceeds)		24,667,526
Loss on change in fair value of warrant liabilities		77,638,662
Extinguishment of warrant liabilities upon exercise		(16,526,400)
Balance as of December 31, 2024	$	85,779,788
Gain on change in fair value of warrant liabilities		(76,904,488)
Extinguishment of warrant liabilities upon exercise		(254,700)
Extinguishment of warrant liabilities upon issuance of series F preferred shares		(196,100)
Balance as of December 31, 2025	$	8,424,500

Nonrecurring Fair Value Measurements

Certain assets, including long-lived assets and goodwill, are measured at fair value on a nonrecurring basis when impairment indicators are present using Level 3 inputs. During the years ended December 31, 2025 and 2024, the Company recorded goodwill impairment charges of $0 and $679,175, respectively.

NOTE 14—NOTES PAYABLE

Notes payable as of December 31, 2025 and 2024 consist of the following:

	December 31, 2025	December 31, 2024
Vehicle loans	$ 8,530	$ 53,424
6% Subordinated promissory notes	500,000	500,000
Purchase and sale of future revenues loan	405,000	1,237,950
20% OID subordinated promissory notes – March 2024	3,313,820	3,217,932
12% Subordinated promissory note for services	840,000	500,000
25% OID subordinated promissory note	1,455,600	1,455,600
CMD seller promissory note	–	1,050,000
Total notes payable	6,522,950	8,014,906
Less: debt discounts	(46,829)	(220,465)
Total notes payable, net	$ 6,476,121	$ 7,794,441
Current portion of notes payable, net	$ 6,476,121	$ 7,785,911
Notes payable, net of current portion	$ –	$ 8,530

Vehicle Loans

The Company has financed vehicle purchases with notes payable secured by the underlying. These notes carry interest rates ranging from 1.99% to 6.54% and have original terms of four to five years. As of December 31, 2025, the outstanding balance was $8,530.

6% Subordinated Promissory Notes

As part of the consideration for the acquisition of ICU Eyewear, 1847 ICU issued subordinated promissory notes to the sellers in the aggregate principal amount of $500,000. The notes bear interest at 6% per annum, with all principal and accrued interest due and payable in a single lump sum on February 9, 2024. Upon an event of default, the interest rate increases to 10% per annum. The notes are unsecured and subordinated to all senior indebtedness.

As of December 31, 2025, the outstanding principal balance is $500,000 and accrued interest is $126,389.

Purchase and Sale of Future Revenues Loan

On March 31, 2023, the Company and its subsidiary 1847 Cabinet entered into a non-recourse funding agreement with a third-party for the sale of future revenues totaling $1,965,000 for net cash proceeds of $1,410,000, requiring weekly ACH payments in the amount of $39,300. The Company recorded an initial debt discount of $555,000, amortized under the effective interest method, resulting in an initial effective interest rate of 72.4%. The agreement allows the third party to file UCC financing statements securing their interest in the receivables and includes customary events of default.

On November 30, 2023, the agreement was amended to increase the outstanding balance by $1,375,500 to $1,965,000 for net cash proceeds of $865,500. The Company evaluated the amendment under ASC 470-50, "*Modifications and Extinguishments*," determined it to be a modification, and recorded an additional debt discount of $510,000. Following the modification, the effective interest rate was 65.1%.

On July 23, 2024, the agreement was further amended to increase the outstanding balance by $1,624,400 to $2,292,500 for net cash proceeds of $1,029,400. The Company evaluated the amendment under ASC 470-50, and determined it to be a modification, and recorded an additional debt discount of $595,000. Following the modification, the effective interest rate was 74.8%.

On April 24, 2025, the agreement was further amended to increase the outstanding balance by $845,650 to $1,350,000 for net cash proceeds of $465,650, with weekly ACH payments revised to $27,000. The Company evaluated the amendment under ASC 470-50, and determined it to be a modification, and recorded an additional debt discount of $380,000. Following the modification, the effective interest rate was 82.2%.

As of December 31, 2025, the outstanding principal balance is $405,000, net of unamortized debt discount of $46,829.

20% OID Promissory Notes – March 2024

On March 4, 2024, the Company issued a 20% original issue discount ("OID") subordinated promissory note in the principal amount of $1,250,000 to an accredited investor for net cash proceeds of $999,900. The note was subsequently amended and restated on March 27, 2024 to increase the principal amount to $1,562,500 for additional cash proceeds of $250,000, and again on April 9, 2024 to increase the principal amount to $2,500,000 for additional cash proceeds of $750,000.

The Company evaluated the note for embedded features that qualify as derivatives under ASC 815. The Company determined that the 50% default penalty constitutes a deemed redemption feature, requiring bifurcation from the host instrument and separate accounting as a freestanding derivative liability. The fair value of the embedded redemption derivative liability was determined using a probability-weighted expected return methodology. Subsequent changes in fair value are recognized in the consolidated statements of operations each reporting period. The OID, issuance costs, and initial fair value of the embedded derivative liability were collectively recorded as a debt discount, amortized to interest expense over the term of the note using the effective interest method.

On June 4, 2024, an event of default occurred, resulting in a $1,250,000 increase to the principal balance. The Company recognized a loss on extinguishment of debt of $1,250,000 and extinguished the derivative liability.

The note was subsequently amended on five occasions to extend the maturity date, with the Company agreeing to increase the outstanding principal as consideration for each extension as follows:

Amendment Date	Extended Maturity Date	Principal Increase	Loss on Extinguishment
August 20, 2024	November 30, 2024	$ 500,000	$ 500,000
November 15, 2024	December 31, 2024	$ 446,935	$ 446,935
December 16, 2024	March 31, 2025	$ 536,322	$ 536,322
March 31, 2025	November 7, 2025	$ 1,358,966	$ 1,358,966
November 10, 2025	March 31, 2026	$ 86,922	$ 86,922

Commencing November 15, 2025, the note requires monthly cash payments of $100,000, increasing to $150,000 per month beginning December 15, 2025 and continuing on the 15th of each month thereafter until maturity. The note may be prepaid in whole or in part at any time. In addition, the Company is required to apply a minimum of 40% of the net proceeds from any equity, equity-linked, or debt securities issuance or financing transaction, other than excluded debt as defined in the note, toward repayment of this note. The note is unsecured and has priority over all other unsecured indebtedness except for certain senior indebtedness as defined in the note. Upon an event of default, the outstanding principal balance will be assessed a 50% penalty.

As of December 31, 2025, the outstanding principal balance is $3,313,820.

12% Promissory Note for Services

On May 9, 2024, the Company entered into a securities purchase agreement with an accredited investor pursuant to which the Company issued a promissory note in the principal amount of $500,000 in consideration for the holder entering into a lock-up agreement to not execute any conversions of a secured convertible note issued to the holder on October 8, 2021 (see *Note 15—Convertible Notes Payable*) into common shares of the Company, subject to certain exceptions. The note bears interest at 12% per annum and matured on May 9, 2025. Upon an event of default, the interest rate increases to 16% per annum and the outstanding balance is assessed a 50% penalty. The note is unsecured and has priority over all other unsecured indebtedness. At any time prior to full repayment, the holder has the right in its sole discretion to require the Company to apply up to 100% of cash proceeds received from any source toward repayment of outstanding principal and accrued interest.

The note was recorded at fair value on the date of issuance. The fair value was determined as the present value of contractual cash flows using a market interest rate of 13.76%, resulting in an initial fair value of $492,000, recognized in the consolidated statements of operations. The resulting discount of $8,000 was amortized to interest expense over the term of the note using the effective interest method.

The Company evaluated the note for embedded features that qualify as derivatives under ASC 815. The Company determined that the 50% default penalty constitutes a deemed redemption feature requiring bifurcation from the host instrument and separate accounting as a freestanding derivative liability. The fair value of the embedded redemption derivative liability was determined using a probability-weighted expected return methodology, with the initial fair value recognized in the consolidated statements of operations. Subsequent changes in fair value are recognized in the consolidated statements of operations each reporting period.

On May 9, 2025, an event of default occurred, resulting in a $280,000 increase to the principal balance. The Company recognized a loss on extinguishment of debt of $280,000 and extinguished the corresponding derivative liability.

As of December 31, 2025, the outstanding principal balance is $840,000 and accrued interest is $86,900.

25% OID Promissory Note

On June 28, 2024, the Company's subsidiaries 1847 Cabinet, High Mountain, ICD and Kyle's (the "Borrowers") issued an 25% OID promissory note in the principal amount of up to $2,472,000, to be advanced in one or more tranches, to Breadcrumbs Capital LLC ("Breadcrumbs"). The tranches were executed as follows:

Tranche #	Date	Principal Amount	Proceeds
1	June 28, 2024	$ 666,667	$ 475,000
2	July 3, 2024	466,667	300,000
3	July 16, 2024	233,333	175,000
4	August 12, 2024	466,667	350,000
5	August 22, 2024	300,000	225,000
		$ 2,133,334	$ 1,525,000

The note bears interest at the greater of (i) 8% plus the U.S. Prime Rate as published in The Wall Street Journal or (ii) 14% per annum. Upon an event of default, the interest rate increases to 36% or the maximum legal rate, and the outstanding balance is assessed a 35% penalty. Each tranche is due and payable three months after issuance. The note is secured by all assets of the Borrowers pursuant to a security agreement, subordinate to the senior lender, Leonite Capital LLC.

In connection with the issuance of the note, the Company entered into a memorandum of understanding with Breadcrumbs pursuant to which, upon the closing of each tranche, the Company agreed to issue series D senior convertible preferred shares with a stated value equal to the principal amount of each tranche. See *Note 18—Convertible Preferred Shares* for further details for additional information.

The Company evaluated the note for embedded features that qualify as derivatives under ASC 815. The Company determined that the 35% default penalty constitutes a deemed redemption feature requiring bifurcation from the host instrument and separate accounting as a freestanding derivative liability. The fair value of the embedded redemption derivative liability was determined using a probability-weighted expected return methodology. Subsequent changes in fair value are recognized in the consolidated statements of operations each reporting period. The OID, issuance costs, and allocated fair values of both the series D senior convertible preferred shares and the bifurcated embedded redemption derivative liability were collectively recorded as a debt discount, amortized to interest expense over the term of the note using the effective interest method.

Upon maturity, an event of default occurred, resulting in a $377,370 increase to the principal balance. The Company recognized a loss on extinguishment of debt of $377,370 and extinguished the corresponding derivative liability.

As of December 31, 2025, the outstanding principal balance is $1,455,600 and accrued interest is $763,921.

CMD Seller Promissory Note

As part of the consideration for the acquisition of CMD (see *Note 5—Business Combinations*), on December 16, 2024, 1847 CMD issued the seller a non-interest-bearing promissory note in the principal amount of $1,050,000, due and payable on February 16, 2025, and did not bear interest. The note was repaid in full on February 14, 2025.

NOTE 15—CONVERTIBLE NOTES PAYABLE

Convertible notes payable as of December 31, 2025 and 2024 consist of the following:

	December 31, 2025	December 31, 2024
Secured convertible promissory notes	$ 22,751,184	$ 23,074,286
Less: debt discounts	–	(985,137)
Total convertible notes payable, net	$ 22,751,184	$ 22,089,149
Current portion of convertible notes payable, net	$ 22,751,184	$ 22,089,149

On October 8, 2021, the Company issued two secured convertible promissory notes in the principal amount of $16,900,000 and $7,860,000 to SILAC Insurance Company ("SILAC") and a secured convertible promissory note in the principal amount of $100,000 to Leonite Capital LLC ("Leonite"). Thereafter, (i) on September 1, 2023, SILAC entered into a securities purchase agreement with Altimir Partners LP ("Altimir"), pursuant to which Altimir agreed to purchase the secured convertible promissory note in the principal amount of $16,900,000, $765,306 of which was then acquired by Leonite, and (ii) on December 1, 2023, SILAC entered into a securities purchase agreement with Beaman Special Opportunities Partners, LP ("Beaman"), pursuant to which Beaman purchased that the secured convertible promissory note in the principal amount of $7,860,000. In connection with the sale of High Mountain, $5,815,768 of the purchase price was paid to Altimir and $2,819,711 of the purchase price was paid to Beaman. A total of $7,000,000 of these funds were held by Altimir and Beauman in a reserve account for the Company's use in connection with the CMD acquisition.

The notes accrued interest at a rate per annum equal to the greater of (i) 4.75% plus the U.S. Prime Rate that appears in *The Wall Street Journal* from time to time or (ii) 8%; provided that, upon an event of default (as defined in the note agreement), such rate shall increase to 24% or the maximum legal rate. Payments of interest only, computed at such rate on the outstanding principal amount, will be due and payable quarterly in arrears commencing on January 1, 2022 and continuing on the first day of each calendar quarter thereafter through and including the maturity date.

The holders of the notes may, in their sole discretion, elect to convert any outstanding and unpaid principal portion of the notes, and any accrued but unpaid interest on such portion, into common shares at an adjusted conversion price equal to $0.27 per share (subject to adjustments as defined in the note agreement); provided that the notes contain certain beneficial ownership limitations.

The note purchase agreement and the notes contain customary representations, warranties, affirmative and negative financial and other covenants and events of default for loans of this type. The notes are guaranteed by certain subsidiaries and are secured by a first priority security interest in all of the assets of the Company and certain subsidiaries.

On September 30, 2024, the parties entered into an amendment to the notes, which (i) provided for the terms of the reserve account described above, (ii) changed the maturity date to October 8, 2025, (iii) changed the interest rate to 15%, (iv) amended the repayment terms to require monthly payments of interest only commencing on the earlier of completion of the potential acquisition and December 1, 2024 and to require monthly payments of $500,000 commencing on April 1, 2025. The amendment also requires that the Company pay $4,000,000 no later than January 31, 2025 and includes an additional exit fee of $250,000 to be paid on the maturity date or upon the earlier repayment of the notes in full. As additional consideration for entering into the amendment, the Company agreed to pay an amendment fee of $250,000.

On December 24, 2025, the parties entered into a standstill agreement, pursuant to which the holders of the notes agreed that, notwithstanding the existence of an event of default for failure to repay the notes by October 8, 2025, so long as the Company is diligently pursuing a written term sheet from a counterparty to either (i) refinance the obligations under the notes or (ii) sell CMD to a purchaser, in either case in an amount at least sufficient to pay off the notes, the holders agreed to not take any action to assert, collect or enforce all or any part of obligations under the notes as against the collateral or the Company until February 15, 2026, to be extended to April 15, 2026 if the Company delivers a term sheet that provides for a refinancing or purchase price in an amount no less than an amount required to pay the notes in full that includes no contingencies other than administrative items (the "Term Sheet") on or before February 15, 2026. As consideration for the standstill agreement, the Company agreed to pay Altimir and Beaman (i) a restructuring fee in the amount of $500,000, with $100,000 due upon entry into the standstill agreement and the remaining amount due on the earlier of delivery and acceptance of the Term Sheet or February 15, 2026 and (ii) an exit fee in the amount of $1,250,000, which will be due and payable on the earliest of repayment of the notes in full, completion of a refinancing or a sale of CMD, or April 15, 2026.

As of December 31, 2025, the outstanding principal balance is $22,751,184 and accrued interest is $7,550,333.

NOTE 16—RELATED PARTIES

Related Party Note Payable

A portion of the consideration for the acquisition of Kyle's on September 30, 2020 was paid through the issuance of a vesting promissory note by 1847 Cabinet to Stephen Mallatt, Jr. and Rita Mallatt, officers of

Kyle's, in the principal amount of $1,260,000. On July 26, 2022, the Company and 1847 Cabinet entered into a conversion agreement with Stephen Mallatt, Jr. and Rita Mallatt pursuant to which $797,221 of the vesting note was converted into 10 common shares at a conversion price of $81,900 per share, the vesting note was cancelled, and the remaining balance of $558,734 was due by October 1, 2022. The conversion agreement was subsequently amended on multiple occasions to extend the due date, with the latest amendment extending the due date to July 30, 2023 and providing for an amendment fee of $76,784.

On June 27, 2025, the conversion agreement and a consulting agreement, dated March 16, 2024, between the Company and Stephen Mallatt, Jr. and Rita Mallatt were cancelled, and 1847 Cabinet issued an 8% promissory note in the principal amount of $1,567,621 to Stephen Mallatt, Jr. and Rita Mallatt. The note bears interest at 8% per annum and matures on November 15, 2027, with monthly payments commencing July 15, 2025. All amounts outstanding under the note are required to be repaid in full upon a sale of CMD. The note is unsecured and contains customary events of default. The Company recognized a loss on extinguishment of debt of $458,218 in connection with the issuance of the new note.

As of December 31, 2025, the outstanding principal balance is $1,265,326.

Management Services Agreements

On April 15, 2013, the Company and the Manager entered into a management services agreement, pursuant to which the Company is required to pay the Manager a quarterly management fee equal to 0.5% of its adjusted net assets for services performed (the "Parent Management Fee"). The amount of the Parent Management Fee with respect to any fiscal quarter is (i) reduced by the aggregate amount of any management fees received by the Manager under any offsetting management services agreements with respect to such fiscal quarter, (ii) reduced (or increased) by the amount of any over-paid (or under-paid) Parent Management Fees received by (or owed to) the Manager as of the end of such fiscal quarter, and (iii) increased by the amount of any outstanding accrued and unpaid Parent Management Fees. The Company expensed $0 in Parent Management Fees for the years ended December 31, 2025 and 2024.

On May 28, 2020, 1847 Asien entered into an offsetting management services agreement with the Manager. Pursuant to the management services agreement, the Manager will provide certain services to 1847 Asien in exchange for a quarterly management fee. This fee will be the greater of $75,000 or 2% of adjusted net assets (as defined within the management services agreement). Following the assignment of all of the assets of Asien's on February 26, 2024, the Manager ceased to provide services to 1847 Asien for quarterly management fees. 1847 Asien expensed management fees of $ 50,000 for the year ended December 31, 2024, which is included in discontinued operations. See *Note 4—Discontinued Operations* for additional information.

On August 21, 2020, 1847 Cabinet entered into an offsetting management services agreement with the Manager, which was amended on October 8, 2021. Pursuant to the amended management services agreement, the Manager will provide certain services to 1847 Cabinet in exchange for a quarterly management fee. This fee will be the greater of $125,000 or 2% of adjusted net assets (as defined within the amended management services agreement). For the years ended December 31, 2025 and 2024, 1847 Cabinet expensed management fees of $500,000 and $375,000, respectively. For the year ended December 31, 2024, $125,000 was included in discontinued operations as a result of the sale of High Mountain. See *Note 4—Discontinued Operations* for additional information.

On March 30, 2021, 1847 Wolo entered into an offsetting management services agreement with the Manager. Pursuant to the management services agreement, the Manager will provide certain services to 1847 Wolo in exchange for a quarterly management fee. This fee will be the greater of $75,000 or 2% of adjusted net assets (as defined within the management services agreement). 1847 Wolo expensed management fees of $300,000 for the years ended December 31, 2025 and 2024.

On February 9, 2023, 1847 ICU entered into an offsetting management services agreement with the Manager. Pursuant to the management services agreement, the Manager will provide certain services to 1847 ICU in exchange for a quarterly management fee. This fee will be the greater of $75,000 or 2% of adjusted net assets (as defined within the management services agreement). Following the sale of all of the assets of ICU Eyewear on August 5, 2024, the Manager ceased to provide services to 1847 ICU for quarterly management fees. 1847 ICU expensed management fees of $175,000 for the year ended December 31, 2024, which is included in discontinued operations. See *Note 4—Discontinued Operations* for additional information.

On December 16, 2024, 1847 CMD entered into an offsetting management services agreement with the Manager. Pursuant to the management services agreement, the Manager will provide certain services to 1847 CMD in exchange for a quarterly management fee. This fee will be the greater of $75,000 or 2% of adjusted net assets (as defined within the management services agreement). 1847 CMD expensed management fees of $300,000 for the year ended December 31, 2025.

In addition, if the aggregate amount of management fees paid or to be paid to the Manager under the offsetting management services agreements, exceeds, or is expected to exceed, 9.5% of the Company's gross income in any fiscal year or the Parent Management Fee in any fiscal quarter, then the management fee to be paid by such entities shall be reduced, on a pro rata basis determined by reference to the other management fees to be paid to the Manager under other offsetting management services agreements.

In addition, under the Company's operating agreement with the Manager, in the event of an acquisition of a target business or disposition of a subsidiary, the Manager will receive a transaction fee of 2% of the aggregate purchase price, which percentage decreases if the purchase exceeds $50 million.

The profit allocation and transaction fees are included in management fees. On a consolidated basis, for the year ended December 31, 2025, the Company expensed total management fees of $1,100,000. For the year ended December 31, 2024, the Company expensed total management fees from continued operations and discontinued operations of $2,267,000 and $350,000, respectively.

Manager's Profit Allocation and Transaction Fees

The Manager owns 100% of the allocation shares of the Company which represent the original equity interest in the Company. As a holder of the allocation shares, the Manager is entitled to receive a 20% profit allocation as a form of preferred distribution, pursuant to a profit allocation formula upon the occurrence of certain events. Generally, the distribution of the profit allocation is paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company's businesses, including if the Company distributes its equity ownership in a subsidiary to the Company's shareholders in a spin-off or similar transaction (a "Sale Event"), or, at the option of the Manager, at the five-year anniversary date of the acquisition of one of the Company's businesses (a "Holding Event"). The calculation of the profit allocation and the rights of the Manager, as the holder of the allocation shares, are governed by the operating agreement. The Company records distributions of the profit allocation to the holders upon occurrence of a Sale Event or Holding Event as dividends declared on allocation interests to shareholders' equity when they are approved by the Company's board of directors. In addition, under the Company's operating agreement with the Manager, in the event of an acquisition of a target business or disposition of a subsidiary, the Manager will receive a transaction fee of 2% of the aggregate purchase price, which percentage decreases if the purchase exceeds $50 million.

During 2020, concurrent with the spin-off of a former subsidiary, the board of directors identified a need to adjust the distribution to the Manger, which resulted in the recognition of a $2 million distribution receivable from the Manager within shareholders' deficit, with repayment anticipated upon the occurrence of the next qualified profit allocation distribution event (the "Distribution Receivable").

On April 23, 2024, the Company and the Manager entered into a letter agreement regarding the timing of payment of the Distribution Receivable, pursuant to which the parties agreed to treat the Distribution Receivable as a $2,000,000 unqualified obligation of the Manager to be repaid as a credit against all future profit allocations resulting from both a Sale Event and a Holding Event payable to the Manager, all until the Distribution Receivable is fully paid, provided that, if the Distribution Receivable is not fully paid by the application of such credit or otherwise by the first to occur of (i) December 31, 2024 and (ii) the date of the sale of all or substantially all the assets (in a transaction of any form) or the liquidation, dissolution or winding up, voluntary or involuntary, of either party, then upon such date the unpaid balance shall be immediately due, payable and paid by the Manager. During the year ended December 31, 2024, the Distribution Receivable was settled in full.

On September 30, 2024, the Company completed the sale of High Mountain (see *Note 4—Discontinued Operations*). The sale qualified as a sale event under the Company's operating agreement, entitling the Manager to a 20% profit allocation of $875,000 and a transaction fee of 2.0% of the sales price, or $340,000, in accordance with the profit allocation formula outlined in the operating agreement. On December 16, 2024, the Company completed the acquisition of CMD (see *Note 5—Business Combinations*), entitling the Manager to a transaction fee of 2.0% of the purchase price, or $377,000. The profit allocation and transaction fees were recorded as management fees in the consolidated statements of operations.

Building Lease

See *Note 12—Leases* regarding the building lease for the property leased by Kyle's from Stephen Mallat, Jr. and Rita Mallatt, officers of Kyle's. During the years ended December 31, 2025 and 2024, the Company recognized lease expense of $90,923 and $87,106, respectively, under this related party lease.

NOTE 17—COMMITMENTS AND CONTINGENCIES

On September 4, 2025, Alpha Capital Anstalt ("Alpha Capital") filed a complaint in the Supreme Court of the State of New York, County of New York against our company, in an action captioned *Alpha Capital Anstalt v. 1847 Holdings LLC, Index No. 655245/2025*. The complaint asserts a claim for breach of contract against our company based on its alleged breach of a securities purchase agreement it entered into with Alpha Capital on December 14, 2024, or the SPA. Alpha Capital alleges that we breached the implied covenant of good faith and fair dealing and Section 4.10 in the SPA by failing to take steps to have our common shares listed on another trading market after it was delisted from NYSE American. Alpha Capital alleges that, as a result of our alleged failure in that regard, it has not been able to sell or exercise the securities it acquired under the SPA and in a subsequent transaction. Alpha Capital seeks damages of at least $2 million plus its attorney's fees, costs, and pre- and post-judgment interest and, alternatively, an order requiring us to get our common shares listed on a trading market. On October 8, 2025, we filed an answer to the complaint denying the material allegations in the complaint and asserting several affirmative defenses. The answer includes a counterclaim against Alpha Capital for our costs and attorney's fees for defending the action pursuant to the provision in SPA providing that the prevailing party in litigation is to be awarded its attorney's fees and costs from the other party. On January 22, 2026, the court held a Preliminary Conference and set September 18, 2026 as the deadline for Alpha Capital to file a note of issue/certificate of readiness, and the court will thereafter set a trial date. Discovery commenced on February 27, 2026. We believe we have meritorious defenses to Alpha Capital's claims, including because our common shares commenced trading on the OTCID market on October 15, 2025. Our company intends to vigorously defend itself against Alpha Capital's claims. Due to this litigation being in its early stage, we cannot reasonably estimate at this time the potential loss or range of loss, if any, in the event of an adverse outcome in this matter. It is possible an adverse outcome could materially adversely affect our financial condition, results of operations, and cash flows. No accrual has been recorded with respect to this legal matter.

On October 17, 2025, Matthew Miller, individually and as principal of Strategic Risk, LLC (the "Plaintiff"), filed a complaint in the U.S. District Court for the Southern District of New York in an action captioned *Matthew Miller v. 1847 Holdings LLC; 1847 Partners LLC; Ellery W. Roberts; Louis Bevilacqua; Bevilacqua PLLC; Joseph D. Wilson; Eric Van Dam; Vernice Howard; Edward Tobin; Glyn Milburn; and Does 1-10, case no. 1:25-cv-08606-LAK*. On October 24, 2025, Plaintiff filed an amended complaint that also named Spartan Capital Securities LLC; and Sichenzia Ross Ference Carmel LLP as defendants. On October 28, 2025, the Court sua sponte dismissed the amended complaint without prejudice and with leave to replead. On November 24, 2025, the Plaintiff filed a second amended complaint naming 1847 Holdings, LLC, 1847 Partners, LLC, Ellery W. Roberts, Louis A. Bevilacqua, Bevilacqua PLLC, and Vernice Howard as defendants and alleging claims for securities fraud, scheme liability, control person liability, and common law fraud. On February 17, 2026, 1847 Holdings, 1847 Partners, Mr. Roberts, and Ms. Howard filed a motion to dismiss the second amended complaint. The motion is now fully briefed and the parties are awaiting a ruling from the court. If the action proceeds, the company and its principals intend to defend vigorously the Plaintiff's allegations.

NOTE 18—CONVERTIBLE PREFERRED SHARES

Series A Senior Convertible Preferred Shares

As of December 31, 2025 and 2024, the Company had 50,592 series A senior convertible preferred shares issued and outstanding. The following is a description of the rights of the series A senior convertible preferred shares.

Ranking. The series A senior convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, and each other class or series that is not expressly made senior to or on parity with the series A senior convertible preferred shares; (ii) on parity with each other class or series that is not expressly subordinated or made senior to the series A senior convertible preferred shares; and (iii) junior to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and each other class or series that is expressly made senior to the series A senior convertible preferred shares.

Dividend Rights. Holders of series A senior convertible preferred shares are entitled to dividends at a rate per annum of 29.0% of the stated value ($2.42 per share, subject to adjustment). Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date in cash or common shares at the Company's discretion. Dividends payable in common shares shall be calculated based on a price equal to eighty percent (80%) of the VWAP during the five (5) trading days immediately prior to the applicable dividend payment date; provided, however, that if the common shares are not registered, and Rule 144 rulemaking referred to below is effective on the payment date, the dividends payable in common shares shall be calculated based upon the fixed price of $1.57 per share; provided further, that the Company may only elect to pay dividends in common shares based upon such fixed price if the VWAP for the five (5) trading days immediately prior to the applicable dividend payment date is $1.57 or higher.

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the share designation), upon any liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series A senior convertible preferred shares as to the distribution of assets on any liquidation of the Company, including the common shares and allocation shares, each holder of outstanding series A senior convertible preferred shares shall be entitled to receive an amount of cash equal to 115% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series A senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series A senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series A senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series A senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series A senior convertible preferred shares do not have any voting rights; provided that, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series A senior convertible preferred shares, which majority must include Leonite Capital LLC so long as it holds any series A senior convertible preferred shares (the "Requisite Holders"), voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the share designation. In addition, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of the Requisite Holders shall be required prior to the creation or issuance by the Company or by its subsidiaries Kyle's and Wolo of (i) any parity securities; (ii) any senior securities; and (iii) any new indebtedness other than (A) intercompany indebtedness by Kyle's or Wolo in favor of the Company, (B) indebtedness incurred in favor of the sellers of Kyle's or Wolo in connection with the acquisition of Kyle's or Wolo, or (C) indebtedness (or the refinancing of such indebtedness) the proceeds of which are used to complete the acquisition of Kyle's or Wolo related expenses or working capital to operate the business of Kyle's or Wolo. Notwithstanding the foregoing, this shall not apply to any financing transaction the use of proceeds of which will be used to redeem the series A senior convertible preferred shares and the warrants issued in connection therewith.

Conversion Rights. Each series A senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value ($2.42 per share), plus the value of the accrued, but unpaid, dividends thereon, by a conversion price of $0.054 per share (subject to adjustment); provided that in no event shall the holder of any series A senior convertible preferred shares be entitled to convert any number of series A senior convertible preferred shares that upon conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series A senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

Redemption Rights. The Company may redeem in whole, or upon the written consent of the Requisite Holders and in the manner provided for in such written consent, in part, the series A senior convertible preferred shares by paying in cash therefore a sum equal to 115% of the stated value plus the amount of accrued and unpaid plus any other amounts due pursuant to the terms of the series A senior convertible preferred shares.

Most Favored Nations. The securities purchase agreement relating to the issuance of the series A senior convertible preferred shares contains a standard most favored nations provision which provides that, unless

otherwise agreed to by the holders of a majority of the then outstanding series A senior convertible preferred shares, upon any issuance of (or announcement of intent to effect an issuance of) any security, or amendment to (or announcement of intent to effect an amendment to) any security, by the Company with any term that any holder of series A senior convertible preferred shares reasonably believes is more favorable to the holder of such security than to the holder of the series A senior convertible preferred shares then (i) the Company shall notify the holder of series A senior convertible preferred shares of such additional or more favorable term within five (5) business days of the new issuance and/or amendment of the respective security, which notice may include the filing of a current report on Form 8-K that discloses the issuance of such new security, and (ii) such term, the holder's option, shall become a part of the transaction documents with the holder of the series A senior convertible preferred shares. The types of terms contained in another security that may be more favorable to the purchaser of such security include, but are not limited to, terms addressing conversion discounts, prepayment rate, conversion lookback periods, interest rates, original issue discounts, stock sale price, private placement price per share, and warrant coverage. The holders of the series A senior convertible preferred shares have used this provision to reduce the conversion price on multiple occasions.

On September 30, 2024, the Company settled $12,432 of previously accrued dividends through the issuance of 5,137 series A senior convertible preferred shares with an allocated value of $1,700. As a result, the Company recognized a gain on extinguishment of debt of $10,732.

During the year ended December 31, 2024, 181,212 series A senior convertible preferred shares were converted into 2,437 common shares.

During the years ended December 31, 2025 and 2024, the Company accrued series A preferred share dividends of $35,505 and $144,435, respectively.

During the year ended December 31, 2024, the Company settled $130,968 of previously accrued dividends through the issuance of 625 common shares.

Series B Senior Convertible Preferred Shares

As of December 31, 2025 and 2024, no series B senior convertible preferred shares were issued and outstanding.

During the year ended December 31, 2024, the remaining 91,567 series B senior convertible preferred shares were converted into 1,523 common shares.

During the year ended December 31, 2024, the Company accrued series B preferred share dividends of $2,509.

During the year ended December 31, 2024, the Company settled $13,299 of previously accrued dividends through the issuance of 51 common shares.

Series C Senior Convertible Preferred Shares

As of December 31, 2025 and 2024, the Company had 83,603 series C senior convertible preferred shares issued and outstanding. The following is a description of the rights of the series C senior convertible preferred shares.

Ranking. The series C senior convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, and each other class or series that is not expressly made senior to or on parity with the series C senior convertible preferred shares; (ii) on parity with the series D senior convertible preferred shares and each other class or series that is not expressly subordinated or made senior to the series C senior convertible preferred shares; and (iii) junior to the series A senior convertible preferred shares, all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and each other class or series that is expressly made senior to the series C senior convertible preferred shares.

Dividend Rights. Holders of series C senior convertible preferred shares are entitled to dividends at a rate per annum of 6.0% of the stated value ($10 per share). Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable only upon the liquidation of the Company or upon conversion.

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the share designation), upon any liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series C senior convertible preferred shares as to the distribution of assets on any liquidation of the Company, including the common shares and allocation shares, each holder of outstanding series C senior convertible preferred shares shall be entitled to receive an amount of cash equal to 100% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series C senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series C senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series C senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series C senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series C senior convertible preferred shares do not have any voting rights; provided that, so long as any series C senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series C senior convertible preferred shares, voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the share designation.

Conversion Rights. Each series C senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value ($10 per share), plus the value of the accrued, but unpaid, dividends thereon, by the conversion price of $150 per share (subject to standard adjustments in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of the Company's assets, mergers, consolidations or similar transactions); provided that in no event shall the holder of any series C senior convertible preferred shares be entitled to convert any number of series C senior convertible preferred shares that upon conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series C senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

Redemption Rights. Not redeemable.

On August 22, 2024, the Company issued 83,603 series C senior convertible preferred shares as settlement of the outstanding balance of a 6% amortizing promissory note in the amount of $831,027.

During the years ended December 31, 2025 and 2024, the Company accrued series C preferred share dividends of $50,162 and $18,003, respectively.

Series D Senior Convertible Preferred Shares

As of December 31, 2025 and 2024, the Company had 6,293,022 series D senior convertible preferred shares issued and outstanding. The following is a description of the rights of the series D senior convertible preferred shares.

Ranking. The series D senior convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, and each other class or series that is not expressly made senior to or on parity with the series D senior convertible preferred shares; (ii) on parity with each other class or series that is not expressly subordinated or made senior to the series D senior convertible preferred shares; and (iii) junior to the Series A senior convertible preferred shares, all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and each other class or series that is expressly made senior to the series D senior convertible preferred shares.

Dividend Rights. Holders of series D senior convertible preferred shares are entitled to dividends at a rate per annum of 10% of the stated value ($0.339 per share, subject to adjustment). Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable only upon the liquidation of the Company or conversion (as defined in the share designation).

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the share designation), upon any liquidation of the Company or its

subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series D senior convertible preferred shares as to the distribution of assets on any liquidation of the Company, including the common shares and allocation shares, each holder of outstanding series D senior convertible preferred shares shall be entitled to receive an amount of cash equal to 100% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series D senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series D senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series D senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series D senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series D senior convertible preferred shares do not have any voting rights; provided that, so long as any series D senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series D senior convertible preferred shares, voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the share designation.

Conversion Rights. Each series D senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value ($0.339 per share), plus the value of the accrued, but unpaid, dividends thereon, by the conversion price of $66.105 per share (subject to standard adjustments in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of the Company's assets, mergers, consolidations or similar transactions); provided that in no event shall the holder of any series D senior convertible preferred shares be entitled to convert any number of series D senior convertible preferred shares that upon conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series D senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

Redemption Rights. Not redeemable.

On June 28, 2024, the Company issued 1,966,570 series D senior convertible preferred shares in connection with the closing of the first tranche under the OID promissory note of $666,667. On July 3, 2024, the Company issued 1,376,599 series D senior convertible preferred shares in connection with the closing of the second tranche under the OID promissory note of $466,667. On July 16, 2024, the Company issued 688,298 series D senior convertible preferred shares in connection with the closing of the third tranche under the OID promissory note of $233,333. On August 12, 2024, the Company issued 1,376,599 series D senior convertible preferred shares in connection with the closing of the fourth tranche under the OID promissory note of $466,667. On August 22, 2024, the Company issued 884,956 series D senior convertible preferred shares in connection with the closing of the fifth tranche under the OID promissory note of $300,000. See *Note 14—Notes Payable* for additional information.

A total of $600,100 of the net proceeds were allocated to the series D senior preferred shares on a relative fair value basis.

During the years ended December 31, 2025 and 2024, the Company accrued series D preferred share dividends of $213,334 and $96,649, respectively.

Series F Convertible Preferred Shares

As of December 31, 2025 and 2024, the Company had 1,027 and 0 series F convertible preferred shares issued and outstanding, respectively. The following is a description of the rights of the series F convertible preferred shares.

Ranking. The series F convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, series C senior convertible preferred shares, series D senior convertible preferred shares and each other class or series that is not expressly made senior to or on parity with the series F convertible preferred shares; (ii) on parity with each other class or series that is not expressly subordinated or made senior to the series F convertible preferred shares; and (iii) junior to the series A senior convertible preferred shares, all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and each other class or series that is expressly made senior to the series F convertible preferred shares.

Dividend Rights. Holders of series F convertible preferred shares are entitled to receive dividends, when, as and if declared on the common shares, *pari passu* with the holders of common shares, on an as-converted basis.

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the share designation), upon any liquidation of the Company, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of junior securities (as defined in the share designation), each holder of outstanding series F convertible preferred shares shall be entitled to receive an amount of cash equal to 100% of the stated value ($1,000 per share). If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series F convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series F convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series F convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series F convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series F convertible preferred shares do not have any voting rights; provided that, so long as any series F convertible preferred shares are outstanding, the Company shall not, and shall not permit any of its subsidiaries to, directly or indirectly, without the affirmative vote of the holders of a majority of the then outstanding series F convertible preferred shares, (a) amend the Company's certificate of formation or its operating agreement in any manner that adversely affects any rights of the holders of the series F convertible preferred shares or alter or amend the share designation, (b) authorize or create any class of shares ranking as to dividends, redemption or distribution of assets upon a liquidation senior to, or otherwise *pari passu* with, the series F convertible preferred shares, or (c) enter into any agreement with respect to any of the foregoing.

Conversion Rights. Each series F convertible preferred share shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value ($1,000 per share) by the conversion price of $0.1549 per share. The conversion price is subject to standard adjustments in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of the Company's assets, mergers, consolidations or similar transactions, as well as for subsequent issuances of common shares, or securities convertible into or exercisable or exchangeable for common shares, at a price below the then conversion price; provided that a holder shall not be entitled to utilize a conversion price of less than $0.01 (subject to standard adjustments for share splits, share combinations, recapitalizations and similar transactions). Notwithstanding the foregoing, the Company shall not effect any conversion of the series F convertible preferred shares, and a holder shall not have the right to convert any portion of the series F convertible preferred shares, to the extent that, after giving effect to the conversion, such holder (together with such holder's affiliates) would beneficially own in excess of 4.99% of the number of common shares outstanding immediately after giving effect to the issuance of common shares issuable upon conversion. This limitation may be waived (up to a maximum of 9.99%) by the holder in its sole discretion upon not less than sixty-one (61) days' prior notice to the Company.

Other Rights. Holders of series F convertible preferred shares have no redemption, preemptive or subscription rights for additional securities of the Company.

On March 25, 2025, the Company entered into cancellation and exchange agreements with the remaining holders of the series A warrants issued on October 30, 2024, pursuant to which such holders agreed to exchange such warrants for an aggregate of 1,027 series F convertible preferred shares. The series F convertible preferred shares fair value of $1,138,332 was derived using an Option Pricing Method. As a result of the exchange, the Company recognized a loss on extinguishment of series A warrants $942,232.

NOTE 19—SHAREHOLDERS' DEFICIT

Allocation Shares

As of December 31, 2025 and 2024, the Company had authorized and outstanding 1,000 allocation shares. The allocation shares do not entitle the holder thereof to vote on any matter relating to the Company other than in connection with amendments to the Company's operating agreement and in connection with certain other corporate transactions as specified in the operating agreement.

The allocation shares are held by the Manager, which is controlled by Mr. Roberts, the Company's chief executive officer and a principal shareholder.

Common Shares

On March 11, 2025, the Second Amended and Restated Operating Agreement, as amended of the Company, was amended pursuant to Amendment No. 4 to Second Amended and Restated Operating Agreement (the "Amendment"), entered into by 1847 Partners LLC, as the Manager (as defined in the Operating Agreement). The Amendment was approved by shareholders on March 11, 2025. The Amendment increased the number of common shares that the Company is authorized to issue from 500 million shares to 2 billion shares.

As of December 31, 2025 and 2024, the Company was authorized to issue 2,000,000,000 and 500,000,000 common shares, respectively, and had 61,918,659 and 25,400,386 common shares issued and outstanding, respectively.

On July 18, 2025, 15 common shares were cancelled by the holder thereof.

On August 29, 2025, the Company issued 1,420,000 common shares with a fair value of $100,394 to a consultant for services rendered.

During the year ended December 31, 2025, the Company issued an aggregate of 8,221,126 common shares upon the conversion of a convertible promissory note totaling $324,590.

During the year ended December 31, 2025, the Company issued an aggregate of 13,277,162 common shares upon the cashless exercise of pre-funded warrants and an aggregate of 13,600,000 common shares upon the cashless exercise of series A warrants issued in December 2024, resulting in extinguishment of warrant liabilities of $254,700.

On February 9, 2024, the Company entered into a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan Capital Securities, LLC ("Spartan"), pursuant to which the Company agreed to issue and sell to such purchasers an aggregate of 9,364 common shares and pre-funded warrants for the purchase of 16,280 common shares at an offering price of $195.00 per common share and $193.05 per pre-funded warrant, pursuant to the Company's effective registration statement on Form S-1 (File No. 333-276670). On February 14, 2024, the closing of this offering was completed. At closing, the purchasers prepaid the exercise price of the pre-funded warrants in full. Therefore, the Company received total gross proceeds of $5 million. Pursuant to the placement agency agreement, Spartan received a cash transaction fee equal to 8% of the aggregate gross proceeds and reimbursement of certain out-of-pocket expenses. After deducting these and other related expenses, the Company received net proceeds of approximately $4.4 million.

On October 28, 2024, the Company entered into a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan, as placement agent, relating to the Company's public offering of units. Pursuant to the securities purchase agreement and the placement agency agreement, the Company agreed to issue and sell to the purchasers an aggregate of 587,306 units, at a purchase price of $18.90 per unit, for total gross proceeds of approximately $11.1 million, pursuant to the Company's registration statement on Form S-1 (File No. 333-282201) under the Securities Act of 1933, as amended. The units are comprised of (i) 587,306 common shares, (ii) series A warrants to purchase 587,306 common shares at an exercise price of $28.50 per share and (iii) series B warrants to purchase 587,306 common shares at an exercise price of $37.80 per share. On October 30, 2024, the closing of the offering was completed. Pursuant to the placement agency agreement, Spartan received a cash transaction fee equal to 8% of the aggregate gross proceeds and reimbursement of certain out-of-pocket expenses. After deducting these and other related expenses, the Company received net proceeds of approximately $9.9 million.

On December 13, 2024, the Company entered into a securities purchase agreement with certain purchasers and a placement agreement with Spartan, as placement agent, pursuant to which the Company agreed to issue and sell to the purchasers an aggregate of 42,311,118 units, at a purchase price of $0.27 per unit, for total gross proceeds of approximately $11.42 million. The units are comprised of (i) 3,437,210 common shares and pre-funded warrants for the purchase of 38,873,908 common shares, (ii) series A warrants to purchase 42,311,118 common shares at an exercise price of $0.81 per share and (iii) series B warrants to purchase 42,311,118 common shares at an exercise price of $0.54 per share. On December 16, 2024, the closing of the Offering was completed. Pursuant to the placement agency agreement, Spartan received a cash transaction fee equal to 8% of the aggregate gross proceeds and reimbursement of certain out-of-pocket expenses. After deducting these and other related expenses, the Company received net proceeds of approximately $10.2 million.

During the year ended December 31, 2024, the Company issued an aggregate of 4,712,822 common shares with a fair value of $4,141,427 upon conversions of convertible promissory notes and accrued interest totaling $2,638,870 and extinguishment of derivative liabilities of $855,520.

During the year ended December 31, 2024, the Company issued an aggregate of 11,401 common shares with a fair value of $538,720 upon partial extinguishment of notes payable. As a result, the Company recognized a loss on extinguishment of debt of $317,145.

During the year ended December 31, 2024, the Company issued an aggregate of 676 common shares to the holders of the series A and B senior convertible preferred shares in settlement of $144,267 of accrued dividends. Pursuant to the series A and B senior convertible preferred shares designations, dividends payable in common shares shall be calculated based on a price equal to eighty percent (80%) of the volume weighted-average price for the common shares on the Company's principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date.

During the year ended December 31, 2024, the Company issued an aggregate of 2,437 common shares upon the conversion of an aggregate of 181,212 series A senior convertible preferred shares.

During the year ended December 31, 2024, the Company issued an aggregate of 1,523 common shares upon the conversion of an aggregate of 91,567 series B senior convertible preferred shares.

During the year ended December 31, 2024, the Company issued an aggregate of 16,495,374 common shares upon the cashless exercise of other warrants, resulting in extinguishment of warrant liabilities of $16,526,400.

Warrants

Warrants Issued in Public Equity Offering – February 2024

On February 14, 2024, the Company closed a public equity offering pursuant to a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan, pursuant to which the Company issued pre-funded warrants to purchase of 16,280 common shares at an exercise price of $1.95 per share.

The Company evaluated the pre-funded warrants for classification as equity or liability instruments in accordance with ASC 480 and ASC 815-40. The Company determined the pre-funded warrants failed the indexation guidance under ASC 815-40 because the warrants provide for a Black-Scholes value calculation upon certain fundamental transactions that include a volatility floor of 100% or greater. This provision introduces leverage to the holders that could result in a settlement value exceeding that of a fixed-for-fixed option on the Company's own equity, and therefore the pre-funded warrants do not qualify for equity classification. Accordingly, the pre-funded warrants were recorded at fair value upon issuance as a liability and remeasured at each reporting period with changes in fair value recognized in the consolidated statements of operations (see *Note 13—Fair Value Measurements*).

The initial fair value of the warrant liability was determined using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 149.05%; (iii) risk-free interest rate of 4.86%; (iv) expected life of one year; (v) estimated fair value of the common shares of $380.25 per share; and (vi) exercise price of $1.95 per share.

Warrants Issued in Private Placement with 20% OID Promissory Note

On May 8, 2024, the Company issued five-year warrants to purchase 477 common shares at an adjusted exercise price of $524.55 per share (subject to standard adjustments as defined in the warrant agreement). Additionally, the Company issued a five-year warrant to the placement agent, Spartan, to purchase 39 common shares at an adjusted exercise price of $577.05 per share (subject to standard adjustments as defined in the warrant agreement). The warrants are exercisable beginning six months after the date of issuance.

The Company evaluated the warrants for classification as equity or liability instruments in accordance with ASC 480 and ASC 815-40. The Company determined that the warrants failed the indexation guidance under ASC 815-40 because the warrants provide for a Black-Scholes value calculation upon certain fundamental transactions that include a volatility floor of 100% or greater. This provision introduces leverage to the holders that could result in a settlement value exceeding that of a fixed-for-fixed option on the Company's own equity, and therefore the warrants do not qualify for equity classification. Accordingly, the warrants were recorded at fair value upon issuance as a liability and remeasured at each reporting period with changes in fair value recognized in the consolidated statements of operations (see *Note 13—Fair Value Measurements*). The warrants issued to the placement agent were classified as equity.

The initial fair value of the warrant liability was determined using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 160.8%; (iii) risk-free interest rate of 4.50%; (iv) expected life of 5.5 years; (v) estimated fair value of the common shares of $468 per share; and (vi) exercise price of $524.55 per share.

The remaining proceeds were allocated to the placement agent warrants and promissory note based on their relative fair values. The fair value of the placement agent warrants was determined using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 160.8%; (iii) risk-free interest rate of 4.50%; (iv) expected life of 5.5 years; (v) estimated fair value of the common shares of $468 per share; and (vi) exercise price of $577.05 per share. The fair value of the placement agent warrants was $16,800, of which $7,573 was allocated based on relative fair value and recorded as additional paid-in capital.

Series A and Series B Warrants Issued in Public Equity Offering – October 2024

On October 30, 2024, the Company closed a public equity offering pursuant to a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan, pursuant to which the Company issued series A warrants to purchase 587,306 common shares and series B warrants to purchase 587,306 common shares.

The series A warrants are exercisable at any time at an exercise price of $28.50 per share and expire five years from the date of issuance. The series B warrants are exercisable at any time at an exercise price of $37.80 per share and expire five years from the date of issuance. The series A warrants include an alternate cashless exercise option pursuant to which holders may receive a number of common shares equal to the product of (i) the aggregate number of common shares that would be issuable upon a cash exercise of the series A warrants and (ii) 2.0. In addition, the series A and B warrants contain a reset of the exercise price to a price equal to the lesser of (i) the then exercise price and (ii) lowest volume weighted-average price for the five trading days immediately preceding and immediately following the date the Company effects a reverse share split in the future with a proportionate adjustment to the number of shares underlying the series A warrants and the series B warrants, subject to a floor price of $1.50. In addition, the series B warrants contain a down round feature providing for an adjustment to the exercise price and number of underlying shares upon the Company's issuance of common shares or common share equivalents at a price below the then-current exercise price, subject to a floor price of $1.50.

The Company evaluated the warrants for classification as equity or liability instruments in accordance with ASC 480 and ASC 815-40. The Company determined that the warrants failed the indexation guidance under ASC 815-40 due to (i) the alternate cashless exercise option in the series A warrants and (ii) the reset provision following a reverse share split applicable to both the series A and series B warrants, subject to a floor price of $1.50. These provisions introduce leverage to the holders that could result in a settlement value exceeding that of a fixed-for-fixed option on the Company's own equity, and therefore the warrants do not qualify for equity classification. Accordingly, the warrants were recorded at fair value upon issuance as a liability and remeasured at each reporting period with changes in fair value recognized in the consolidated statements of operations (see *Note 13—Fair Value Measurements*).

The initial fair value of the warrant liabilities was determined using a Geometric Brownian Motion Stock Monte Carlo Simulation model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 201.96%; (iii) risk-free interest rate of 4.05%; (iv) maximum term of five years; (v) estimated fair value of the series A warrants of $83.73 per share and an estimated fair value of the series B warrants of $29.75 per share; and (vi) various probability assumptions.

On March 11, 2025, the exercise price of the series A warrants was reduced to $0.81 per share with a proportionate increase in the number of series A warrants outstanding to 632,990, each exercisable for two common shares, representing an aggregate of 1,265,980 common shares. On March 25, 2025, the Company entered into cancellation and exchange agreements with the remaining holders of the series A warrants issued on October 30, 2024, pursuant to which such holders agreed to exchange such warrants for an aggregate of 1,027 series F convertible preferred shares. See *Note 18—Convertible Preferred Shares* for additional information.

On March 11, 2025, the exercise price of the series B warrants was adjusted to $0.54 per share and the number of series B warrants was proportionally increased to 41,111,053.

Series A and Series B Warrants Issued in Private Equity Offering – December 2024

On December 16, 2024, the Company closed a private equity offering pursuant to a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan, pursuant to which the Company issued (i) pre-funded warrants to purchase 38,873,908 common shares, (ii) series A warrants to purchase 42,311,118 common shares, and (iii) series B warrants to purchase 42,311,118 common shares.

The pre-funded warrants are exercisable at any time following shareholder approval until exercised in full at an exercise price of $0.01 per share, which has been pre-paid in full by the purchasers. The exercise price and number of shares issuable upon exercise are subject to adjustment for share dividends, share splits, share combinations, reclassifications, and similar events. The pre-funded warrants issued to the placement agent were classified as equity.

The series A warrants are exercisable at an exercise price of $0.81 per share and the series B warrants are exercisable at an exercise price of $0.54 per share, in each case subject to adjustment and following shareholder approval. The series A and series B warrants expire five years from the later of (i) the date shareholder approval is obtained and (ii) the earlier of the date the initial registration statement registering the underlying shares for resale is declared effective or the date such shares may be sold without restriction pursuant to Rule 144. The series A and series B warrants may be exercised on a cashless basis if no effective registration statement is available with respect to the underlying shares.

The series A warrants include an alternate cashless exercise option pursuant to which holders may receive a number of common shares equal to the product of (i) the number of shares issuable upon a cash exercise of the series A warrants and (ii) 1.25. The series A and series B warrants are also subject to the following exercise price reset provisions:

- *Share Combination Event*: Subject to shareholder approval, if at any time and from time to time on or after the issue date there occurs any share split, share dividend, share combination or reverse share split, recapitalization, or other similar transaction involving the common shares (each, a "share combination event," and such date thereof, and the lowest VWAP during the period commencing five (5) consecutive trading days immediately preceding and the five (5) consecutive trading days commencing on the share combination event date (the "event market price") (provided if the share combination event is effective after the close of trading, then commencing on the next trading day, which period shall be the "share combination adjustment period") is less than the exercise price then in effect, then at the close of trading on the last day of the share combination adjustment period, the exercise price then in effect on such fifth (5th) trading day shall be reduced (but in no event increased) to the event market price, subject to the floor price (as defined below), and the number of common shares issuable upon exercise shall be increased such that the aggregate exercise price shall remain unchanged.

- *Registration Reset*: On the reset date (as defined below), the exercise price shall be adjusted to equal the lower of (i) the exercise price then in effect and (ii) a price equal to the greater of (a) the lowest single day VWAP during the period commencing on the twentieth (20th) trading day immediately preceding the reset date and ending on the reset date and (b) the floor price. Upon such reset of the exercise price, the number of common shares issuable upon exercise shall be increased such that the aggregate exercise price shall remain unchanged. As used herein, "reset date" means the date following shareholder approval that is the earliest of the following dates, (i) the date on which for twenty (20) consecutive trading days all registrable securities have become and remained registered pursuant to an effective registration statement that is available for the resale of all registrable securities, provided, however, that if less than all registrable securities have become registered for resale on the date that a registration statement is declared effective, the holder with respect to itself only, shall have the right in its sole and absolute discretion to deem such condition satisfied, including with regard only to the registrable securities that have been so registered, (ii) the date on which the holder, for twenty (20) consecutive trading days, can sell all registrable securities pursuant to Rule 144 or (iii) twelve (12) months and twenty (20) trading days immediately following the issuance date of the series A and series B warrants.

- *Subsequent Equity Sales*: Subject to shareholder approval, if at any time the Company issues, sells, enters into an agreement to sell, or grants any option to purchase, or sells, enters into an agreement to sell, or grants any right to reprice, or otherwise disposes of or issues (or announces any offer, sale, grant, or any option to purchase or other disposition), or is deemed to have issued or sold, any common shares or any securities of the Company or its subsidiaries which would entitle the holder thereof to acquire at any time common shares, including, without limitation, any debt, preferred shares, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, common shares, for a consideration per share (the "new issuance price") less than a price equal to the exercise price in effect immediately prior to such issuance or sale or deemed issuance or sale, then simultaneously with the consummation (or, if earlier, the announcement) of such issuance, the exercise price then in effect shall be reduced to an amount equal to the lower of (i) the new issuance price and (ii) the lowest VWAP during the five (5) consecutive trading days immediately following the issuance, subject to the floor price, and the number of common shares issuable upon exercise shall be increased such that the aggregate exercise price shall remain unchanged.

In no event will the exercise prices of the series A and series B warrants be reduced below the floor price of $0.054 (subject to shareholder approval). Upon each share combination event the floor price will be reduced by 50% and will continue to be so adjusted for each subsequent share combination event.

The Company evaluated the series A and series B warrants for classification as equity or liability instruments in accordance with ASC 480 and ASC 815-40. The Company determined that the warrants failed the indexation guidance under ASC 815-40 due to (i) the alternate cashless exercise option in the series A warrants, (ii) the share combination reset provision applicable to both the series A and series B warrants, subject to a floor price that resets after each share combination event, and (iii) the registration reset provision applicable to both the Series A and Series B warrants, subject to a floor price of $0.054. These provisions introduce leverage to the holders that could result in a settlement value exceeding that of a fixed-for-fixed option on the Company's own equity, and therefore the warrants do not qualify for equity classification. Accordingly, the warrants were recorded at fair value upon issuance as a liability and remeasured at each reporting period with changes in fair value recognized in the consolidated statements of operations (see *Note 13—Fair Value Measurements*).

The initial fair value of the warrant liabilities was determined using a Geometric Brownian Motion Stock Monte Carlo Simulation model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 196.59%; (iii) risk-free interest rate of 4.16%; (iv) maximum term of five years; (v) estimated fair value of the series A warrants of $1.22 per share and an estimated fair value of the series B warrants of $0.65 per share; and (vi) various probability assumptions.

On October 15, 2025, the exercise prices of the series A and series B warrants were adjusted to $0.054 per share and the number of series A warrants and series B warrants was proportionally increased to 634,666,770 and 423,111,180, respectively.

Exercise Price Adjustments

In addition to the adjustments described above, the following warrant exercise price adjustments occurred during the years ended December 31, 2025 and 2024.

On February 14, 2024, as a result of the public equity offering, the exercise price of certain outstanding warrants was adjusted to $1.95 pursuant to antidilution provisions contained in such warrants. The Company recognized a deemed dividend of $1,000 in connection with this adjustment, calculated using a Black-Scholes option pricing model.

On November 11, 2024, as a result of the 1-for-15 reverse share split, the exercise price of the series A and series B warrants issued in the October 2024 offering was adjusted to $1.50 and the number of underlying shares was increased by 22,184,090 pursuant to antidilution provisions contained in such warrants.

On December 16, 2024, as a result of the private equity offering, the exercise price of certain outstanding warrants was adjusted to $0.27 pursuant to antidilution provisions contained in such warrants.

On March 11, 2025, as a result of shareholder approval, the exercise price of the series B warrants was adjusted to $0.54 per share and the number of series B warrants was proportionally increased to 41,111,053.

On October 15, 2025, as a result of the registration reset, the exercise prices of the series A and series B warrants were adjusted to $0.054 per share and the number of series A warrants and series B warrants was proportionally increased to 634,666,770 and 423,111,180, respectively.

The following table summarizes the changes in warrants outstanding during the years ended December 31, 2025 and 2024:

	Warrants	Weighted-Average Exercise Price
Outstanding as of December 31, 2023	706	$ 6,597.35
Granted	124,687,552	0.48
Adjustments(1)	22,184,090	1.50
Exercised	(8,233,183)	(1.50)
Outstanding as of December 31, 2024	138,639,165	0.61
Adjustments(2)	999,757,963	0.07
Exercised/settled	(24,790,152)	(0.05)
Outstanding as of December 31, 2025	1,113,606,976	$ 0.08
Exercisable as of December 31, 2025	1,113,606,955	$ 0.07

(1) As previously described, as a result of antidilution provisions and share combination events, the exercise prices of certain warrants were decreased with the number of underlying shares proportionally increased by 22,184,090.

(2) As previously described, as a result of the registration reset applicable to the December 2024 series A and B warrants and shareholder approval to the October 2024 series A and B warrants, the exercise prices were decreased with the number of underlying shares proportionally increased by 999,757,963.

As of December 31, 2025, the outstanding warrants have a weighted average remaining contractual life of 4.65 years and a total intrinsic value of $19,036,919.

NOTE 20—INCOME TAXES

As of December 31, 2025, the Company has net operating loss carryforwards of approximately $5.0 million available to reduce future taxable income indefinitely. The related deferred tax assets have not been recognized in these consolidated financial statements as their realization is not considered probable. Accordingly, the Company has recorded a full valuation allowance against the deferred tax assets relating to these net operating loss carryforwards.

For the year ended December 31, 2025, the Company's net deferred tax liability includes a naked credit attributable to a temporary difference arising from an indefinite-lived intangible asset. This naked credit represents a deferred tax liability related to an indefinite-lived asset that cannot be offset by deferred tax assets related to definite-lived assets. Pursuant to the Tax Cuts and Jobs Act of 2017, up to 80% of net operating loss carryforwards generated after December 31, 2017 may be used to offset this liability. The remaining portion of the deferred tax liability cannot be offset by definite-lived deferred tax assets.

Deferred income taxes reflect the net tax effects of temporary differences between the amounts recorded for financial reporting purposes and the amounts used for tax purposes.

The components of the provision for income taxes for the years ended December 31, 2025 and 2024 consist of the following:

	December 31,	December 31,

	2025	2024
Current federal and state	$ 2,300,000	$ 65,000
Deferred federal and state	53,000	(767,000)
Total provision (benefit) for income taxes	$ 2,353,000	$ (702,000)

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate for the years ended December 31, 2025 and 2024 is as follows:

	December 31, 2025	December 31, 2024
Federal tax	21.4%	21.0%
State tax	0.0%	0.1%
Return to provision	0.9%	0.0%
Valuation allowance	0.3%	(0.2)%
Nontaxable partnership income	(19.1)%	(20.2)%
Effective income tax rate	3.5%	0.7%

The significant components of deferred tax assets and liabilities as of December 31, 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Deferred tax assets		
Inventory obsolescence	$ 59,000	$ 105,000
Allowance for credit losses	23,000	–
Sales return reserve	27,000	27,000
Business interest limitation	2,183,000	2,169,000
Lease liabilities	415,000	448,000
Accrued expenses	–	220,000
Loss carryforward	1,065,000	596,000
Valuation allowance	(3,103,000)	(2,661,000)
Total deferred tax assets	$ 669,000	$ 904,000
Deferred tax liabilities		
Fixed assets	$ (125,000)	$ (180,000)
Construction contracts	(668,000)	(305,000)
Right-of-use assets	(400,000)	(435,000)
Other	(568,000)	–
Intangibles	(2,493,000)	(2,701,000)
Receivables	–	(933,000)
Total deferred tax liabilities	$ (4,254,000)	$ (4,554,000)
Total net deferred tax liabilities	$ (3,585,000)	$ (3,650,000)

NOTE 21—EARNINGS (LOSS) PER SHARE

The following table presents the reconciliation of net income (loss) attributable to common shareholders in computing basic net income (loss) per share of common share:

	Years Ended December 31,	
	2025	2024
Net income (loss) attributable to common shareholders from continuing operations	$ 66,405,574	$ (106,813,939)
Net income (loss) attributable to common shareholders from discontinued operations	(921,772)	6,553,177
Net income (loss) attributable to common shareholders	$ 65,483,802	$ (100,260,762)
Weighted-average common shares – basic	36,902,227	2,660,302
Basic earnings (loss) per common share from continuing operations	$ 1.80	$ (40.15)
Basic earnings (loss) per common share from discontinued operations	(0.02)	2.46
Basic earnings (loss) per common share attributable to common shareholders	$ 1.78	$ (37.69)

The following table presents the reconciliation of net income (loss) attributable to common shareholders to net income used in computing dilutive net income (loss) per share of common share:

	Years Ended December 31,	
	2025	2024
Net income (loss) attributable to common shareholders from continuing operations	$ 66,418,074	$ (106,813,939)
Net income (loss) attributable to common shareholders from discontinued operations	(921,772)	6,553,177
Net income (loss) attributable to common shareholders	$ 65,496,302	$ (100,260,762)
Net loss adjustments attributable to common shareholders from continuing operations	(73,642,988)	–
Adjusted net income (loss) attributable to common shareholders	$ (8,146,686)	$ (100,260,762)
Weighted-average common shares – basic	36,902,227	2,660,302
Effect on dilutive securities	931,003,819	–
Weighted-average common shares – dilutive	967,906,046	2,660,302
Dilutive loss per common share from continuing operations	$ (0.01)	$ (40.15)

Dilutive earnings (loss) per common share from discontinued operations	(0.00)	2.46
Dilutive loss per common share attributable to common shareholders	$ (0.01)	$ (37.69)

For the years ended December 31, 2025 and 2024, there were 636,783,430 and 230,277,102, respectively, potential common share equivalents from warrants, convertible preferred shares, and convertible notes excluded from the diluted earnings per share calculations as their effect is anti-dilutive.

NOTE 22—SUBSEQUENT EVENTS

Subsequent to December 31, 2025, holders exercised 2,700,000 series A warrants (See Note 19) for 3,375,000 common shares.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 31, 2026

1847 HOLDINGS LLC

/s/ Ellery W. Roberts
Name: Ellery W. Roberts
Title: Chief Executive Officer
(Principal Executive Officer)

/s/ Vernice L. Howard
Name: Vernice L. Howard
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Ellery W. Roberts Ellery W. Roberts	Chairman and Chief Executive Officer (principal executive officer)	March 31, 2026
/s/ Vernice L. Howard Vernice L. Howard	Chief Financial Officer (principal financial and accounting officer)	March 31, 2026
/s/ Robert D. Barry Robert D. Barry	Director	March 31, 2026
/s/ Michele A. Chow-Tai Michele A. Chow-Tai	Director	March 31, 2026
/s/ Clark R. Crosnoe Clark R. Crosnoe	Director	March 31, 2026
/s/ Paul A. Froning Paul A. Froning	Director	March 31, 2026
/s/ Lawrence X. Taylor Lawrence X. Taylor	Director	March 31, 2026

DESCRIPTION OF SECURITIES

General

The following is a summary of the material terms of our shares as of December 31, 2025. The operating agreement provides for the issuance of our shares, the terms relating to distributions with respect to our shares and the voting rights of holders of our shares. In addition, the terms of the series A senior convertible preferred shares are governed by an amended and restated share designation, dated March 26, 2021, as amended, the terms of the series C senior convertible preferred shares are governed by a share designation, dated August 19, 2024, the terms of the series D senior convertible preferred shares are governed by a share designation, dated June 28, 2024 and the terms of the series F convertible preferred shares are governed by a share designation, dated March 25, 2025.

The following description is subject to the provisions of the Delaware Limited Liability Company Act. Certain provisions of the operating agreement are intended to be consistent with the General Corporation Law of the State of Delaware, and the powers of our company, the governance processes and the rights of the holders of our shares are generally intended to be similar in many respects to those that would exist if our company was a Delaware corporation under the General Corporation Law of the State of Delaware, with certain exceptions.

The statements that follow are subject to and are qualified in their entirety by reference to all of the provisions of the operating agreement and the share designations, copies of which have been filed as exhibits to this report.

As of December 31, 2025, we are authorized to issue up to 2,000,000,000 common shares, 4,450,460 series A senior convertible preferred shares, 83,603 series C senior convertible preferred shares, 7,292,036 series D senior convertible preferred shares, 1,027 series F convertible preferred shares and 1,000 allocation shares. As of December 31, 2025, we had 61,918,659 common shares, 50,592 series A senior convertible preferred shares, 83,603 series C senior convertible preferred shares, 6,293,022 series D senior convertible preferred shares and 1,027 series F convertible preferred shares issued and outstanding. In connection with the formation of our company, our manager acquired 100% of the allocation shares for a capital contribution of $1,000 by our manager. Other than the allocation shares held by our manager, our company will not be authorized to issue any other allocation shares.

Common Shares

Distribution Rights. Holders of common shares are entitled to receive ratably those distributions, if any, as may be declared from time to time by the board of directors out of legally available funds.

Liquidation Rights. Upon our liquidation, dissolution or winding up in accordance with the terms of the operating agreement, the then holders of common shares will be entitled to share in the assets of our company legally available for distribution, following payment to creditors and our series A senior convertible preferred shares and series B senior convertible preferred shares, in accordance with the positive balance in such holders' tax-based capital accounts required by the operating agreement, after giving effect to all contributions, distributions and allocations for all periods.

Voting Rights. The holders of common shares are entitled to one vote for each share held of record on all matters submitted to a vote of the shareholders. Under the operating agreement, any action to be taken by vote of shareholders other than for election of directors shall be authorized by the affirmative vote of the majority of shares present or represented by proxy and entitled to vote. Directors are elected by a plurality of votes cast.

Other Rights. Holders of common shares have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the common shares.

Series A Senior Convertible Preferred Shares

Ranking. The series A senior convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, and each other class or series that is not expressly made senior to or on parity with the series A senior convertible preferred shares; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series A senior convertible preferred shares; and (iii) junior to all indebtedness and other liabilities with respect to assets available to satisfy claims against our company and each other class or series that is expressly made senior to the series A senior convertible preferred shares.

Dividend Rights. Holders of series A senior convertible preferred shares are entitled to dividends at the a rate per annum of 29.0% of the stated value ($2.42 per share, subject to adjustment) as of December 31, 2025. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date in cash or common shares at our discretion. Dividends payable in common shares shall be calculated based on a price equal to eighty percent (80%) of the VWAP during the five (5) trading days immediately prior to the applicable dividend payment date; provided, however, that if the common shares are not registered, and rulemaking referred to below is effective on the payment date, the dividends payable in common shares shall be calculated based upon the fixed price of $1.57; provided further, that we may only elect to pay dividends in common shares based upon such fixed price if the VWAP for the five (5) trading days immediately prior to the applicable dividend payment date is $1.57 or higher.

Liquidation Rights. Subject to the rights of our creditors and the holders of any senior securities or parity securities (in each case, as defined in the share designation), upon any liquidation of our company or its subsidiaries, before any payment or distribution of the assets of our company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series A senior convertible preferred shares as to the distribution of assets on any liquidation of our company, including our common shares and allocation shares, each holder of outstanding series A senior convertible preferred shares shall be entitled to receive an amount of cash equal to 115% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series A senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series A senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series A senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series A senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series A senior convertible preferred shares do not have any voting rights; provided that, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series A senior convertible preferred shares, voting as a separate class (which we refer to herein as the Requisite Holders), shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the share designation. In addition, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of such holders shall be required prior to our company's (or Kyle's or Wolo's) creation or issuance of (i) any parity securities; (ii) any senior securities; and (iii) any new indebtedness other than (A) intercompany indebtedness by Kyle's or Wolo in favor of our company, (B) indebtedness incurred in favor of the sellers of Kyle's or Wolo in connection with the acquisition of Kyle's or Wolo, or (C) indebtedness (or the refinancing of such indebtedness) the proceeds of which are used to complete the acquisition of Kyle's or Wolo related expenses or working capital to operate the business of Kyle's or Wolo. Notwithstanding the foregoing, this shall not apply to any financing transaction the use of proceeds of which we will use to redeem the series A senior convertible preferred shares and the warrants issued in connection therewith.

Conversion Rights. Each series A senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value ($2.42 per share as of December 31, 2025), plus the value of the accrued, but unpaid, dividends thereon, by the conversion price ($0.054 per share as of December 31, 2025); provided that in no event shall the holder of any series A senior convertible preferred shares be entitled to convert any number of series A senior convertible preferred shares that upon conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series A senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to us.

Redemption Rights. We may redeem in whole, or upon the written consent of the Requisite Holders and in the manner provided for in such written consent, in part, the series A senior convertible preferred shares by paying in cash therefore a sum equal to 115% of the stated value plus the amount of accrued and unpaid plus any other amounts due pursuant to the terms of the series A senior convertible preferred shares.

Adjustments. The share designation contains standard adjustments to the conversion price in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of our assets, mergers, consolidations or similar transactions. In addition, the share designation provides that if, but only if, the Requisite Holders provide us with at least ten (10) business day's prior written notice, then, from and after the date of such notice, the stated dividend rate, the stated value and the conversion price shall automatically adjust as follows:

- On the first day of the 12th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by five percent (5.0%) per annum and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding such date.

- On the first day of the 24th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding such date. On June 15, 2023, the Requisite Holders provided notice that the stated dividend rate increased from 14% to 24% of the stated value and

the stated value increased from $2.00 to $2.20.

- On the first day of the 36th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding the third adjustment date. On March 31, 2024, the stated dividend rate will increase from 24% to 29% of the stated value and the stated value will increase from $2.20 to $2.42.

In addition, if any legislation or rules are adopted whereby the holding period of securities for purposes of Rule 144 of the Securities Act for convertible securities that convert at market-adjusted rates is increased resulting in a longer holding period for convertible securities like the series A senior convertible preferred shares and the unavailability at the time of conversion of Rule 144, the pricing provisions that are based upon the lowest VWAP of the previous ten (10) trading days immediately preceding the relevant adjustment date shall be removed unless the common shares issuable upon conversion are then registered under an effective registration statement.

Additional Equity Interest. On the third adjustment date set forth above, we are required to cause 1847 Wolo to issue to the holders of series A senior convertible preferred shares, on a pro rata basis, a ten percent (10%) equity stake in 1847 Wolo. We are required to cause 1847 Wolo to grant to the holders of the series A senior convertible preferred shares upon the issuance to them of such equity interest a right to receive an additional number of shares of common stock of 1847 Wolo if 1847 Wolo issues to any third-party equity securities at a price below the acquisition price (as defined below). Such additional number of shares of common stock of 1847 Wolo to be issued in such instance shall be equal to a number of shares of common stock of 1847 Wolo which, when added to the number of shares of common stock of 1847 Wolo constituting the initial additional equity interest, would be equal to the total number of shares of common stock which would have been issued to a holder of series A senior convertible preferred shares if the price per share of common stock of 1847 Wolo was equivalent to the price per equity security paid by such third-party in 1847 Wolo. For purposes of this provision, “acquisition price” means the price per share of 1847 Wolo that was paid by us upon the acquisition of 1847 Wolo. On March 31, 2024, we issued 1.23 shares of 1847 Wolo to the holders of the series A senior convertible preferred shares.

Most Favored Nations. The securities purchase agreement relating to the issuance of the series A senior convertible preferred shares contains a standard most favored nations provision which provides that, unless otherwise agreed to by the holders of a majority of the then outstanding series A senior convertible preferred shares, upon any issuance of (or announcement of intent to effect an issuance of) any security, or amendment to (or announcement of intent to effect an amendment to) any security, by us with any term that any holder of series A senior convertible preferred shares reasonably believes is more favorable to the holder of such security than to the holder of the series A senior convertible preferred shares then (i) we shall notify the holder of series A senior convertible preferred shares of such additional or more favorable term within five (5) business days of the new issuance and/or amendment of the respective security, which notice may include the filing of a current report on Form 8-K that discloses the issuance of such new security, and (ii) such term, the holder’s option, shall become a part of the transaction documents with the holder of the series A senior convertible preferred shares. The types of terms contained in another security that may be more favorable to the purchaser of such security include, but are not limited to, terms addressing conversion discounts, prepayment rate, conversion lookback periods, interest rates, original issue discounts, stock sale price, private placement price per share, and warrant coverage. The holders of the series A senior convertible preferred shares have used this provision to reduce the conversion price on multiple occasions.

Other Rights. Holders of series A senior convertible preferred shares have no preemptive or subscription rights for additional securities of our company.

Series C Senior Convertible Preferred Shares

Ranking. The series C senior convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, and each other class or series that is not expressly made senior to or on parity with the series C senior convertible preferred shares; (ii) on parity with the series D senior convertible preferred shares and each other class or series that is not expressly subordinated or made senior to the series C senior convertible preferred shares; and (iii) junior to the series A senior convertible preferred shares, series F convertible preferred shares, all indebtedness and other liabilities with respect to assets available to satisfy claims against our company and each other class or series that is expressly made senior to the series C senior convertible preferred shares.

Dividend Rights. Holders of series C senior convertible preferred shares are entitled to dividends at a rate per annum of 6.0% of the stated value ($10.00 per share). Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable only upon the liquidation of our company or upon conversion.

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the share designation), upon any liquidation of our company or its subsidiaries, before any payment or distribution of the assets of our company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series C senior convertible preferred shares as to the distribution of assets on any liquidation of our company, including the common shares and allocation shares, each holder of outstanding series C senior convertible preferred shares shall be entitled to receive an amount of cash equal to 100% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series C senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series C senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series C senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series C senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series C senior convertible preferred shares do not have any voting rights; provided that, so long as any series C senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series C senior convertible preferred shares, voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the share designation.

Conversion Rights. Each series C senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value ($10.00 per share), plus the value of the accrued, but unpaid, dividends thereon, by the conversion price of $150 per share (subject to standard adjustments in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of our assets, mergers, consolidations or similar transactions); provided that in no event shall the holder of any series C senior convertible preferred shares be entitled to convert any number of series C senior convertible preferred shares that upon conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series C senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days’ prior notice to us.

Series D Senior Convertible Preferred Shares

Ranking. The series D senior convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, and each other class or series that is not expressly made senior to or on parity with the series D senior convertible preferred shares; (ii) on parity with each other class or series that is not expressly subordinated or made senior to the series D senior convertible preferred shares; and (iii) junior to the Series A senior convertible preferred shares, series F convertible preferred shares, all indebtedness and other liabilities with respect to assets available to satisfy claims against our company and each other class or series that is expressly made senior to the series D senior convertible preferred shares.

Dividend Rights. Holders of series D senior convertible preferred shares are entitled to dividends at a rate per annum of 10% of the stated value ($0.339 per share, subject to adjustment). Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable only upon the liquidation of our company or conversion (as defined in the share designation).

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the share designation), upon any liquidation of our company or its subsidiaries, before any payment or distribution of the assets of our company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series D senior convertible preferred shares as to the distribution of assets on any liquidation of our company, including the common shares and allocation shares, each holder of outstanding series D senior convertible preferred shares shall be entitled to receive an amount of cash equal to 100% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series D senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series D senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series D senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series D senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series D senior convertible preferred shares do not have any voting rights; provided that, so long as any series D senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series D senior convertible preferred shares, voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the share designation.

Conversion Rights. Each series D senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value ($0.339 per share), plus the value of the accrued, but unpaid, dividends thereon, by the conversion price of $66.105 per share (subject to standard adjustments in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of our assets, mergers, consolidations or similar transactions); provided that in no event shall the holder of any series D senior convertible preferred shares be entitled to convert any number of series D senior convertible preferred shares that upon

conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series D senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to us.

Series F Convertible Preferred Shares

Ranking. The series F convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, series C senior convertible preferred shares, series D senior convertible preferred shares and each other class or series that is not expressly made senior to or on parity with the series F convertible preferred shares; (ii) on parity with each other class or series that is not expressly subordinated or made senior to the series F convertible preferred shares; and (iii) junior to the series A senior convertible preferred shares, all indebtedness and other liabilities with respect to assets available to satisfy claims against our company and each other class or series that is expressly made senior to the series F convertible preferred shares.

Dividend Rights. Holders of series F convertible preferred shares are entitled to receive dividends, when, as and if declared on the common shares, *pari passu* with the holders of common shares, on an as-converted basis.

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the share designation), upon any liquidation of our company, before any payment or distribution of the assets of our company (whether capital or surplus) shall be made to or set apart for the holders of junior securities (as defined in the share designation), each holder of outstanding series F convertible preferred shares shall be entitled to receive an amount of cash equal to 100% of the stated value ($1,000 per share). If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series F convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series F convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series F convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series F convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series F convertible preferred shares do not have any voting rights; provided that, so long as any series F convertible preferred shares are outstanding, we shall not, and shall not permit any of its subsidiaries to, directly or indirectly, without the affirmative vote of the holders of a majority of the then outstanding series F convertible preferred shares, (a) amend our certificate of formation or its operating agreement in any manner that adversely affects any rights of the holders of the series F convertible preferred shares or alter or amend the share designation, (b) authorize or create any class of shares ranking as to dividends, redemption or distribution of assets upon a liquidation senior to, or otherwise *pari passu* with, the series F convertible preferred shares, or (c) enter into any agreement with respect to any of the foregoing.

Conversion Rights. Each series F convertible preferred share shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value ($1,000 per share) by the conversion price of $0.1549 per share. The conversion price is subject to standard adjustments in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of our assets, mergers, consolidations or similar transactions, as well as for subsequent issuances of common shares, or securities convertible into or exercisable or exchangeable for common shares, at a price below the then conversion price; provided that a holder shall not be entitled to utilize a conversion price of less than $0.01 (subject to standard adjustments for share splits, share combinations, recapitalizations and similar transactions). Notwithstanding the foregoing, we shall not effect any conversion of the series F convertible preferred shares, and a holder shall not have the right to convert any portion of the series F convertible preferred shares, to the extent that, after giving effect to the conversion, such holder (together with such holder's affiliates) would beneficially own in excess of 4.99% of the number of common shares outstanding immediately after giving effect to the issuance of common shares issuable upon conversion. This limitation may be waived (up to a maximum of 9.99%) by the holder in its sole discretion upon not less than sixty-one (61) days' prior notice to us.

Allocation Shares

Distribution Rights. Under the terms of the operating agreement, we will pay a profit allocation to our manager, as holder of the allocation shares.

Liquidation Rights. Upon a liquidation of our company, any accrued, but unpaid profit allocation due to our manager as a result of our manager's ownership of the allocation shares would be paid to our manager before any payment is made of any amounts due upon a liquidation to the holders of our common shares but after payment is made to the holders of our preferred shares.

Voting Rights. The operating agreement provides that the holder of allocation shares will not be entitled to any voting rights, except that the holder of the allocation shares will have:

- voting rights in connection with the merger or consolidation of our company, the sale, lease or exchange of all or substantially all of our assets and certain other business combinations or transactions;
- a veto right with respect to the dissolution of our company in certain circumstances;
- a veto right with respect to the amendment of the provisions providing for distributions to the holders of allocation shares;
- a veto right to any amendment to the provisions entitling the holders of allocation shares to appoint and remove directors who will serve on our board of directors;
- a veto right to any amendment to the provision regarding the quorum and voting requirements for board meetings;
- a veto right to any amendment to the provisions regarding the indemnification and liability of directors;
- a veto right with respect to any amendment of the provision of the operating agreement governing amendments thereof; and
- a veto right with respect to any amendment that would adversely affect the holder of allocation shares.

In addition, the holder of the allocation shares has the right to appoint one (1) director to our board of directors for every four (4) members constituting the entire board of directors. Any director appointed to our board of directors by the holder of the allocation shares will not be required to stand for election by the holders of our common shares and will not have any special voting rights.

Other Rights. Holders of allocation shares have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the allocation shares.

Warrants

On October 8, 2021, we issued to Leonite Capital LLC a five-year warrant for the purchase of 16 common shares with an exercise price of $0.054 per share, which was amended on May 10, 2023. The exercise price is subject to standard adjustments, including a price based antidilution adjustment, and the warrants may be exercised on a cashless basis if there is no effective registration registering, or no current prospectus available for, the resale of the common shares underlying the warrants. This warrant also contains an ownership limitation, which provides that we shall not effect any exercise of the warrant, and Leonite Capital LLC shall not have the right to exercise any portion of the warrant, to the extent that after giving effect to issuance of common shares upon exercise such warrant, Leonite Capital LLC, together with its affiliates, would beneficially own in excess of 4.99% of the number of common shares outstanding immediately after giving effect to the issuance of common shares issuable upon exercise of the warrant; provided that upon no fewer than 61 days' prior notice to us, Leonite Capital LLC may increase or decrease such beneficial ownership limitation provisions (up to a maximum of 9.99%).

On July 8, 2022, we issued to J.H. Darbie & Co., Inc. a five-year warrant for the purchase of 1 common share at an exercise price of $0.054 per share. On February 3, 2023, we issued to J.H. Darbie & Co., Inc. a five-year warrant for the purchase of 1 common share at an exercise price of $0.054 per share. On February 9, 2023, we issued to J.H. Darbie & Co., Inc. a five-year warrant for the purchase of 1 common share at an exercise price of $0.054 per share. On February 22, 2023, we issued to J.H. Darbie & Co., Inc. a five-year warrant for the purchase of 1 common share at an exercise price of $0.054 per share. The exercises prices of these warrants are subject to standard adjustments, including a price based antidilution adjustment, and the warrants may be exercised on a cashless basis if the market price of our common shares is greater than the exercise price. These warrants also contain an ownership limitation, which provides that we shall not effect any exercise of any warrant, and the holder shall not have the right to exercise any portion of such warrant, to the extent that after giving effect to issuance of common shares upon exercise such warrant, such holder, together with its affiliates, would beneficially own in excess of 4.99% of the number of common shares outstanding immediately after giving effect to the issuance of common shares issuable upon exercise of such warrant.

On August 5, 2022, we issued a common share purchase warrant to each of Craft Capital Management LLC and R.F. Lafferty & Co. Inc. for the purchase of 2 common shares at an exercise price of $102,375. The warrants are exercisable at any time and from time to time during the period commencing on February 5, 2023 and ending on August 2, 2027 and may be exercised on a cashless basis if there is no effective registration registering, or no current prospectus available for, the resale of the common shares underlying the warrants. The exercise price is subject to standard adjustments for share dividends, splits, recapitalizations, mergers, reorganizations and similar events.

On January 3, 2023, we issued warrants for the purchase of 21 common shares as a dividend to our common shareholders of record as of December 23, 2022 pursuant to a warrant agent agreement, dated January 3,

2023, with VStock Transfer, LLC. Each warrant represents the right to purchase common shares at an exercise price of $81,900 per share (subject to standard adjustments for share splits, share dividends, recapitalizations and similar transactions). At any time, we may, at our option, voluntarily reduce the then-current exercise price to such amount and for such period or periods of time which may be through the expiration date as may be deemed appropriate by our board of directors. Cashless exercises of the warrants are not permitted. The warrants will generally be exercisable in whole or in part beginning on the later of (i) January 3, 2024 or (ii) the date that a registration statement on Form S-3 with respect to the issuance and registration of the common shares underlying the warrants has been filed with and declared effective by the Securities and Exchange Commission and thereafter until January 3, 2026. We may redeem the warrants at any time in whole or in part at $0.001 per warrant (subject to equitable adjustment to reflect share splits, share dividends, share combinations, recapitalizations and like occurrences) upon not less than 30 days' prior written notice to the registered holders of the warrants.

On August 11, 2023, we issued warrants for the purchase of an aggregate of 216 common shares. The terms of the warrants are set forth in a warrant agency agreement, dated August 11, 2023, between our company and VStock Transfer, LLC, our transfer agent. The warrants are exercisable for a period five (5) years at an exercise price of $3,568.50 (subject to standard adjustments for share splits, share combinations, share dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions) and may be exercised on a cashless basis if at the time of exercise there is no effective registration statement registering, or the prospectus contained therein is not available for, the issuance of common shares upon exercise thereof. These warrants also contain an ownership limitation, which provides that we shall not effect any exercise of any warrant, and the holder shall not have the right to exercise any portion of such warrant, to the extent that after giving effect to issuance of common shares upon exercise such warrant, such holder, together with its affiliates, would beneficially own in excess of 4.99% of the number of common shares outstanding immediately after giving effect to the issuance of common shares issuable upon exercise of such warrant; provided that upon no fewer than 61 days' prior notice to us, a holder may increase or decrease such beneficial ownership limitation provisions (up to a maximum of 9.99%).

On August 11, 2023, we also issued to Spartan Capital Securities, LLC, or Spartan, the placement agent for our offering completed on August 11, 2023, a common share purchase warrant for the purchase of a number of common shares equal to eight percent (8%) of the number common shares issuable upon conversion of the 20% OID subordinated promissory notes and exercise of the warrants issued in connection therewith, or approximately 445 common shares as of December 31, 2025, at an exercise price of $3,925.35 per share, subject to standard adjustments for share dividends, splits, recapitalizations, mergers, reorganizations and similar events. This warrant is exercisable at any time on or after the date that is the six months after the date of issuance and until the fifth anniversary thereof.

On May 8, 2024, we issued five-year warrants for the purchase of 477 common shares at an adjusted exercise price of $524.55 per share (subject to standard adjustments as defined in the warrant agreement). Additionally, we issued a five-year warrant to the placement agent, Spartan, for the purchase of 39 common shares at an adjusted exercise price of $577.05 per share (subject to standard adjustments as defined in the warrant agreement). The warrants are exercisable at any time six months after the date of issuance.

On October 30, 2024, we issued series B warrants to purchase 587,301 common shares at an exercise price of $37.8 per share (which was subsequently adjusted to 41,111,053 shares at an exercise price of $0.54 in accordance with certain adjustment provisions contained in the series B warrants). These warrants are exercisable at any time and will expire five years from the date of issuance.

On December 13, 2024, we issued (i) pre-funded warrants for the purchase of 38,873,908 common shares, (ii) series A warrants to purchase 42,311,118 common shares at an exercise price of $0.81 per share (which was subsequently adjusted to 634,666,770 shares at an exercise price of $0.054 in accordance with certain adjustment provisions contained in the series A warrants) and (iii) series B warrants to purchase 42,311,118 common shares at an exercise price of $0.54 per share (which was subsequently adjusted to 423,111,180 shares at an exercise price of $0.054 in accordance with certain adjustment provisions contained in the series B warrants). The pre-funded warrants are exercisable at any time until they are exercised in full at an exercise price of $0.01 per share, which has been pre-paid by the holders in full. The series A warrants and series B warrants are exercisable at any time and will expire on October 15, 2030. The series A warrants and the series B warrants may be exercised on a cashless basis if there is no effective registration statement with respect to the underlying common shares. In addition, under an alternate cashless exercise option contained in the series A warrants, the holders of the series A warrants will have the right to receive an aggregate number of shares equal to the product of (i) the aggregate number of common shares that would be issuable upon a cash exercise of the series A warrants and (ii) 1.25. The exercise prices of the series A warrants and the series B warrants contain standard adjustments for forward and reverse share splits, share dividends, reclassifications and similar transactions. In addition, the series A warrants and the series B warrants also contain the following resets of the exercise prices and number of shares underlying the series A warrants and the series B warrants:

- *Share Combination Event*: If at any time and from time to time on or after the issue date there occurs any share split, share dividend, share combination or reverse share split, recapitalization, or other similar transaction involving the common shares (each referred to herein as a Share Combination Event, and such date thereof, the Share Combination Event Date) and the lowest VWAP during the period commencing five (5) consecutive trading days immediately preceding and the five (5) consecutive trading days commencing on the Share Combination Event Date (which we refer to as the Event Market Price) (provided if the Share Combination Event is effective after the close of trading, then commencing on the next trading day, which period is referred to as the Share Combination Adjustment Period) is less than the exercise price then in effect, then at the close of trading on the last day of the Share Combination Adjustment Period, the exercise price then in effect on such fifth (5th) trading day shall be reduced (but in no event increased) to the Event Market Price, subject to the Floor Price (as defined below), and the number of common shares issuable upon exercise shall be increased such that the aggregate exercise price shall remain unchanged.

- *Subsequent Equity Sales*: Subject to shareholder approval, if at any time we issue, sell, enter into an agreement to sell, or grant any option to purchase, or sell, enter into an agreement to sell, or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant, or any option to purchase or other disposition), or are deemed to have issued or sold, any common shares or any securities which would entitle the holder thereof to acquire at any time common shares, including, without limitation, any debt, preferred shares, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, common shares, for a consideration per share (which we refer to as the New Issuance Price) less than a price equal to the exercise price in effect immediately prior to such issuance or sale or deemed issuance or sale, then simultaneously with the consummation (or, if earlier, the announcement) of such issuance, the exercise price then in effect shall be reduced to an amount equal to the lower of (i) the New Issuance Price and (ii) the lowest VWAP during the five (5) consecutive trading days immediately following the issuance, subject to the Floor Price, and the number of common shares issuable upon exercise shall be increased such that the aggregate exercise price shall remain unchanged.

Notwithstanding the foregoing exercise price resets, in no event shall the exercises prices of the series A warrants and the series B warrants be reduced to a price that is less than $0.054, or the Floor Price; provided, however, that upon every Share Combination Event, the Floor Price shall be equal to 50% of the prior Floor Price, and shall subsequently continue to be so adjusted for every additional Share Combination Event.

As of December 31, 2025, 25,596,746 pre-funded warrants, 623,786,770 series A warrants and 423,111,180 series B warrants remained outstanding.

Convertible Promissory Notes

On October 8, 2021, we issued two secured convertible promissory notes in the principal amount of $16,900,000 and $7,860,000 to SILAC Insurance Company, or SILAC, and a secured convertible promissory note in the principal amount of $100,000 to Leonite Capital LLC, or Leonite. Thereafter, (i) on September 1, 2023, SILAC entered into a securities purchase agreement with Altimir Partners LP, or Altimir, pursuant to which Altimir agreed to purchase the secured convertible promissory note in the principal amount of $16,900,000, $765,306 of which was then acquired by Leonite, and (ii) on December 1, 2023, SILAC entered into a securities purchase agreement with Beaman Special Opportunities Partners, LP, or Beaman, pursuant to which Beaman purchased that the secured convertible promissory note in the principal amount of $7,860,000. The holders of the notes may, in their sole discretion, elect to convert any outstanding and unpaid principal portion of the notes, and any accrued but unpaid interest on such portion, into common shares at an adjusted conversion price equal to $0.054 per share (subject to adjustments as defined in the note agreement); provided that the notes contain certain beneficial ownership limitations. As of December 31, 2025, the outstanding principal balance is $22,751,184 and accrued interest is $7,550,333.

Agreement to be Bound by our Operating Agreement; Power of Attorney

By purchasing our shares, you will be admitted as a member of our company and will be deemed to have agreed to be bound by the terms of the operating agreement. Pursuant to the operating agreement, each shareholder and each person who acquires a share from a shareholder grants to certain of our officers (and, if appointed, a liquidator) a power of attorney to, among other things, execute and file documents required for our qualification, continuance or dissolution. The power of attorney also grants certain of our officers the authority to make certain amendments to, and to make consents and waivers under and in accordance with, our operating agreement.

Ratification of Agreements

The operating agreement provides that each holder, by acquiring shares, ratifies and confirms the various agreements entered into by our company, including but not limited to, the management services agreement, the supplemental put provision of the operating agreement, and that the execution of any of these agreements does not constitute a breach of any duty existing under the operating agreement or otherwise existing at law, in equity or otherwise by any persons, including our manager, approving, negotiating or executing such agreements on behalf our company.

Waiver of Jury Trial

Our operating agreement provides that, to the extent permitted by law, holders of common shares waive the right to a jury trial of any claim they may have against us arising out of or relating to our operating agreement, including any claim under the U.S. federal securities laws. If we opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable under the facts and circumstances of that case in accordance with applicable case law.

Election by Our Company

The operating agreement provides that our board of directors may, without the vote of holders of our shares, cause our company to elect to be treated as a corporation for United States federal income tax purposes if the board receives an opinion from a nationally recognized financial advisor to the effect that our market valuation is expected to be significantly lower as a result of our company continuing to be treated as a partnership for United States federal income tax purposes than if our company instead elected to be treated as a corporation for United States federal income tax purposes.

Amendment of the Operating Agreement

The operating agreement may be amended by a majority vote of our board of directors, except that amending the following provisions requires an affirmative vote of at least a majority of the then outstanding common shares:

- the purpose or powers of our company;
- an increase in the number of common shares authorized for issuance;
- the distribution rights of the common shares;
- the voting rights relating to the common shares;
- the hiring of a replacement manager following the termination of the management services agreement;
- the merger or consolidation of our company, the sale, lease or exchange of all or substantially all of our assets and certain other business combinations or transactions;
- the right of our shareholders to vote on the dissolution, winding up and liquidation of our company; and
- the provision of the operating agreement governing amendments thereof.

Anti-Takeover Provisions

Certain provisions of the management services agreement and the operating agreement may make it more difficult for third parties to acquire control of our company by various means. These provisions could deprive our shareholders of opportunities to realize a premium on the shares owned by them. In addition, these provisions may adversely affect the prevailing market price of our shares. These provisions are intended to:

- protect our manager and its economic interests in our company;
- protect the position of our manager and its rights to manage the business and affairs of our company under the management services agreement;
- enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors;
- discourage certain types of transactions which may involve an actual or threatened change in control of our company;
- discourage certain tactics that may be used in proxy fights;
- encourage persons seeking to acquire control of our company to consult first with our board of directors to negotiate the terms of any proposed business combination or offer; and
- reduce the vulnerability of our company to an unsolicited proposal for a takeover that does not contemplate the acquisition of all of the outstanding shares or that is otherwise unfair to our shareholders.

Anti-Takeover Effects of the Management Services Agreement

The limited circumstances in which our manager may be terminated means that it will be very difficult for a potential acquirer of our company to take over the management and operation of our business. Under the terms of the management services agreement, our manager may only be terminated by us in certain limited circumstances. Furthermore, our manager has the right to resign and terminate the management services agreement upon 120 days' notice.

Upon the termination of the management service agreement, seconded officers, employees, representatives and delegates of our manager and its affiliates who are performing the services that are the subject of the management services agreement, will resign their respective position with us and cease to work at the date of our manager's termination or at any other time as determined by our manager. Any director on our board of directors appointed by the holder of the allocation shares may continue serving on our board of directors subject to our manager's continued ownership of the allocation shares and subject to such director's removal by the holder of the allocation shares.

If we terminate the management services agreement, our company and its businesses must cease using the term "1847," including any trademarks based on the name of our company that may be licensed to them by our manager under a license grant in the management services agreement, entirely in their businesses and operations within 180 days of our termination of the management services agreement. The license grant requires our company and its businesses to change their names to remove any reference to the term "1847" or any reference to trademarks licensed to them by our manager upon termination of the license which would occur upon termination of the management services agreement.

Anti-Takeover Provisions in the Operating Agreement

A number of provisions of the operating agreement also could have the effect of making it more difficult for a third-party to acquire, or of discouraging a third-party from acquiring, control of our company. The operating agreement prohibits the merger or consolidation of our company with or into any limited liability company, corporation, statutory trust, business trust or association, real estate investment trust, common-law trust or any other unincorporated business, including a partnership, or the sale, lease or exchange of all or substantially all of our property or assets unless, in each case, our board of directors adopts a resolution by a majority vote approving such action and unless such action is approved by the affirmative vote of the holders of a majority of each of the outstanding common shares and allocation shares entitled to vote thereon.

In addition, the operating agreement contains provisions based generally on Section 203 of the General Corporation Law of the State of Delaware which prohibits us from engaging in a business combination with an interested holder of our common shares unless such business combination is approved by the affirmative vote of the holders of 66 2/3% of each of the outstanding common shares and allocation shares, excluding shares held by the interested holder or any affiliate or associate of the interested holder of interests.

Subject to the right of our manager to appoint directors and any successor in the event of a vacancy, the operating agreement authorizes our board of directors to increase the size of the board of directors and to fill vacancies on our board of directors. This provision could prevent a holder of common shares from effectively obtaining an indirect majority representation on our board of directors by permitting the existing board of directors to increase the number of directors and to fill the vacancies with its own nominees. The operating agreement also provides that directors may be removed, with or without cause, only by the affirmative vote of holders of two-thirds of the then outstanding common shares. A director appointed by our manager may only be removed by our manager, as holder of the allocation shares.

The operating agreement provides that special meetings may only be called by the chairman of our board of directors or by resolution adopted by our board of directors.

The operating agreement also provides that holders of common shares seeking to bring business before an annual meeting of shareholders or to nominate candidates for election as directors at an annual meeting of shareholders must provide notice thereof in writing to us not less than 120 days and not more than 150 days prior to the anniversary date of the preceding year's annual meeting of shareholders or as otherwise required by requirements of the Exchange Act. In addition, the holders of common shares furnishing such notice must be a holder of record on both (i) the date of delivering such notice and (ii) the record date for the determination of shareholders entitled to vote at such meeting. The operating agreement specifies certain requirements as to the form and content of a shareholder's notice. These provisions may preclude shareholders from bringing matters before shareholders at an annual meeting or from making nominations for directors at an annual or special meeting.

Authorized but unissued shares are available for future issuance, without further approval of our shareholders. These additional shares may be utilized for a variety of purposes, including future public offerings to raise additional capital or to fund acquisitions, as well as option plans for our employees. The existence of authorized but unissued shares could render more difficult or discourage an attempt to obtain control of our company by means of a proxy contest, tender offer, merger or otherwise.

In addition, our board of directors has broad authority to amend the operating agreement, as discussed above. Our board of directors could, in the future, choose to amend the operating agreement to include other

provisions which have the intention or effect of discouraging takeover attempts.

Transfer Agent and Registrar

The transfer agent and registrar for our common shares is VStock Transfer, LLC. The address for VStock Transfer, LLC is 18 Lafayette Pl, Woodmere, NY 11598, and the telephone number is (212) 828-8436.

NOTE EXTENSION AGREEMENT

THIS EIGHTH NOTE EXTENSION AGREEMENT (this "Agreement") is entered into and made effective as of November 10, 2025, by and between 1847 Holdings LLC, a Delaware limited liability company (the "Maker"), and Target Capital 15 LLC (the "Holder").

RECITALS

WHEREAS, the Maker and the Holder entered into that certain 20% OID Subordinated Note, dated as of March 4, 2024, for the principal amount of $1,250,000, which was amended pursuant to (i) an Amended and Restated Note, dated as of March 27, 2024, pursuant to which the principal amount was increased to $1,562,500, (ii) a Second Amended and Restated Note, dated as of April 9, 2024, pursuant to which the principal amount was increased to $2,500,000, (iii) a Third Amended and Restated Note, dated as of June 24, 2024, pursuant to which the maturity date was extended to August 20, 2024 and the principal amount was increased to $3,750,000, (iv) a Fourth Note Extension Agreement, dated as of August 20, 2024, pursuant to which the maturity date was extended to November 30, 2024 and the principal amount was increased to $4,250,000, (v) a Fifth Note Extension Agreement, dated November 15, 2024, pursuant to which the maturity date was extended to December 31, 2024 and the principal amount was changed to $2,681,610 following a partial repayment, (vi) a Sixth Note Extension Agreement, dated December 16, 2024, pursuant to which the maturity date was extended to March 31, 2025, and the principal amount was increased to $3,217,932, and (vii) a Seventh Note Extension Agreement, dated March 31, 2025, pursuant to which the maturity date was extended to November 7, 2025, and the principal amount was increased to $4,076,898 (as amended, the "Note").

WHEREAS, the Maker and the Holder desire to enter into this Agreement in order to (i) extend the maturity date to March 31, 2026 and (ii) amend the principal amount to $3,563,820.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Maker and the Holder desire to amend the Note as set forth below:

1. Defined Terms. Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Note.

2. Amendments to Note. As of and from the date hereof, the Note is hereby amended as follows:

(a) The definition of "Maturity Date" is hereby amended to read "March 31, 2026."

(b) The definition of "Current Principal Amount" is hereby amended to read "$3,563,820."

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3. Section 2 of the Note is hereby amended and restated to read as follows:

"**Section 2.** Payment and Prepayment. The Company will make a monthly payment on November 15, 2025 in the amount of $100,000. Thereafter, commencing on December 15 and continuing on the 15th day of the month thereafter, the Company shall make monthly payments in the amount of $150,000. On the Maturity Date, the entire unpaid Payment Amount shall become due and payable. The Company may prepay this Note in full or in part at any time after the Original Issue Date. In addition, if the Company consummates any equity or equity-linked or debt securities issuance, or enters into a loan agreement or other any other financing, including warrant exercise, other than Excluded Debt (each, a "Subsequent Financing"), the Company shall apply a minimum of forty percent (40%) of the net proceeds of such Subsequent Financing (or such lesser amount as may be required to satisfy and pay in full the amount of this Note then outstanding) toward the repayment or prepayment of this Note. For purposes of this Section 2, "Excluded Debt" means any promissory notes issued to owners of businesses to finance the acquisition of any business, property or assets by the Company or any of its subsidiaries and any Indebtedness incurred by any subsidiary of the Company for purposes of funding the working capital requirements of such subsidiary."

4. Note in Full Force and Effect as Amended. Except as specifically amended hereby, the Note shall remain in full force and effect. Except as expressly set forth herein, this Agreement shall not be deemed to be a waiver, amendment or modification of any provisions of the Note or any right, power or remedy of the Holder, nor constitute a waiver of any provision of the Note, or any other document, instrument and/or agreement executed or delivered in connection therewith, in each case, whether arising before or after the date hereof or as a result of performance hereunder or thereunder. The parties hereto agree to be bound by the terms and conditions of the Note as amended by this Agreement, as though such terms and conditions were set forth herein. Each reference in the Note to "this Note," "hereunder," "hereof," "herein" or words of similar import shall mean and be a reference to the Note as amended by this Agreement. All references to the Note shall be deemed to mean the Note as modified hereby.

5. Counterparts. This Agreement may be executed by one or more of the parties on any number of separate counterparts, each of which when so executed, shall be deemed an original and all said counterparts when taken together shall be deemed to constitute but one and the same instrument.

6. Successors and Assigns. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, including any future holder of the Note.

7. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Arizona without regard to the conflict of laws principles.

8. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the day and year first written above.

MAKER

1847 Holdings LLC

By: /s/ Ellery W. Roberts
Name: Ellery W. Roberts
Title: Chief Executive Officer

HOLDER

Target Capital 15 LLC

By: /s/ Dmitriy Shapiro
Name: Dmitriy Shapiro
Title: Managing Partner

Exhibit 10.22

FOURTH AMENDMENT TO NOTE PURCHASE AGREEMENT AND OTHER TRANSACTION DOCUMENTS

FOURTH AMENDMENT TO NOTE PURCHASE AGREEMENT AND OTHER TRANSACTION DOCUMENTS (this "Amendment") is dated as of December 17, 2024 (subject to the satisfaction of the conditions set forth in Section 9 below, the "Effective Date"), by and among **1847 HOLDINGS LLC**, a Delaware limited liability company ("Company"), each of the parties listed on the signature page as Guarantor (such Guarantors, together with the Company, sometimes referred to collectively herein as the "Obligors" and each individually as an "Obligor"), **LEONITE CAPITAL LLC**, a Delaware limited liability company ("Agent"), as administrative agent for Purchasers, and Purchasers identified on the signature pages hereof.

W I T N E S S E T H:

WHEREAS, Company, affiliates of Company, Agent and the note purchasers identified therein and/or party thereto from time to time (" Purchasers") are parties to that certain Note Purchase Agreement, dated as of October 8, 2021, as amended by that certain Amendment to Note Purchase Agreement, effective as of January 22, 2024 (the " First Amendment") , as further amended by that certain Second Amendment to Note Purchase Agreement, effective as of February 28, 2024, and as further amended by that certain Third Amendment to Note Purchase Agreement, effective as of September 30, 2024 (the " Third Amendment", and all of the above, the "Existing Purchase Agreement", and as amended hereby, the "Purchase Agreement");

WHEREAS, pursuant to the Purchase Agreement, Company issued to Purchasers its Notes, in the original aggregate principal amount of Twenty-Four Million Eight Hundred Sixty Thousand Dollars ($24,860,000) (as amended, individually a "Note", and collectively the "Notes");

WHEREAS, the Third Amendment contemplated Company's purchase of all of the outstanding shares of CMD Inc., a Nevada corporation (" CMD Inc."), by a wholly owned and controlled subsidiary of the Company, which will be a Delaware entity (any such entity, "1847 CMD", and such transaction, the "Contemplated CMD Transaction");

WHEREAS, pursuant to the Amended and Restated Stock and Membership Interest Purchase Agreement, dated as of December 5, 2024 (the " Stock Purchase Agreement"), 1847 CMD Inc., as 1847 CMD, agreed to buy all outstanding shares of CMD Inc. and CMD Finish Carpentry LLC, a Nevada limited liability company (collectively, "CMD", ands together with 1847 CMD, the "CMD Group") (such transaction, the "CMD Transaction");

WHEREAS, Company desires to consummate the CMD Transaction, and Company has requested Agent's and Purchasers' consent to the forgoing and for Agent and Purchasers to agree to release certain funds regardless of the fact that the time frames set forth in the Third Amendment has expired; and

WHEREAS, Agent and Purchasers are willing to agree to the same in strict accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged (and with respect to Agent and Purchasers, additionally in reliance upon the representations and warranties of Company set forth in Section 10 below and upon satisfaction of the conditions to effectiveness set forth in Section 9 below), the parties hereto, intending to be legally bound, hereby agree as follows:

1. Defined Terms. Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Purchase Agreement.

2. Acknowledgment of Indebtedness. Company hereby acknowledges and agrees that, as of December 12, 2024, Company remains liable to Purchasers for the principal amount of the notes in an amount equal to $24,094,694 plus accrued interest and prepayment obligations. Purchasers acknowledge and agree that in connection with the CMD Transaction, members of the CMD Group will (or with respect to the Working Capital Financing, may) enter into agreements listed in Exhibit A attached hereto each in form and substance provided to Purchaser prior to the date hereof (the " CMD Transaction Seller Financing Documents"). Each of the CMD Transaction Seller Financing Documents shall be subject, subordinate and junior to the Notes and the Transaction Documents in all respects.

3. CMD Transaction.

(a) Parties acknowledge and agree that the Reserve Holder currently holds$ 7,000,000 (the "Reserved Funds") in reserve in a non-interest-bearing account. Reserve Holder hereby agrees to release the Reserved Funds to a reputable third-party in escrow, solely to be used in connection with the consummation of the CMD Transaction.

(b) Company acknowledges and agrees that in connection with the CMD Transaction, Company is required to discharge 2 lines of credit with JP Morgan Chase, N.A. and one line of credit with Clark County Credit Union (the "Lines of Credit"), one loan with Small Business Administration, one loan with US Bank and one loan with Ameris Bank (each a " Discharged Loans") and Company has obtained pay-off letters with respect to some of the Discharged Loan. While Company intends to discharge all such Discharged Loans on or prior to closing of the CMD Transaction, to the extent the same is not discharged and relevant lien terminations are not filed on or prior to the closing of the CMD Transaction, Company shall continue to use best efforts to cause cancellation of each and every Discharged Loan and Company shall (or shall cause CMD Group to) use good faith reasonable efforts to obtain UCC-3 termination statement or if not obtained within a reasonable time, pursue termination by debtors of the financing statements in place with respect to the applicable Discharged Loans.

4. Amendment to Purchase Agreement.

(a) As of and from the Effective Date, "Permitted Indebtedness" under the Purchase Agreement shall mean only (i) the Indebtedness to the Purchasers under the Transaction Documents, (ii) the Indebtedness listed on Schedule 5(d) attached hereto, and (iii) any other Indebtedness expressly approved by Agent and Purchasers in prior writing, in each case in their sole and absolute discretion.

(b) Schedules 1.1, 3(g), 3(s)(ii), 3(t), 3(u), 3(v), 5(d) and 5(e) are hereby deleted in their entirety and are replaced with Schedules 1.1, 3(g), 3(s)(ii), 3(t), 3(u), 3(v), 5(d) and 5(e) attached hereto.

5. Fees. In consideration of Purchasers' entering into this Amendment and consenting to the CMD Transaction, Company shall pay to Agent for the benefit of Purchasers a fee in the aggregate amount of $150,000 (the "Workout Fee"). The Workout Fee shall (i) be fully earned upon the execution of this Amendment, (ii) not be subject to refund or rebate, and (iii) be retained as a fee and not applied in reduction of the principal, interest or other amounts due in connection with the Notes.

6. Conditions. The effectiveness of this Amendment is subject to the following conditions:

(a) the execution and delivery of this Amendment by Obligors, Agent and Purchasers;

(b) after giving effect to this Amendment the representations and warranties set forth in the Existing Purchaser Agreement shall be true and correct in all material respects and there shall be no Event of Default, or any event or condition which, with the passage of time or giving of notice or both, would constitute an Event of Default;

(c) all documents and legal matters in connection with the transactions contemplated by this Amendment shall have been delivered, executed, or recorded and shall be in form and substance satisfactory to Agent and Purchasers;

(d) Company shall have delivered an organization chart showing its and its Subsidiaries organization after giving effect to the CMD Transaction, which organizational chart is attached hereto as Exhibit A.

(e) Company shall have delivered financial statements showing that after giving effect to the CMD Transaction, the Maximum Debt to EBITDA and Fixed Charge Coverage Ratio covenants set forth in the Purchase Agreement will be satisfied.

(f) Each of CMD and 1847 CMD shall have duly executed and delivered a Joinder to the Guaranty Agreement, the Security Agreement and other Transaction Documents, substantially in form and substance attached hereto as Exhibit B.

(g) Company shall have provided to Agent and Purchasers, copies of favorable UCC, Tax, judgment and fixture lien search reports in all necessary or appropriate jurisdictions and under all legal and trade names of CMD.

(h) Company shall have delivered an updated perfection certificate (substantially in the form of the Perfection Certificate delivered in connection with the Closing), officer's certificates and other reasonably requested documentation with respect to each of 1847 CMD and CMD.

7. Representations and Warranties. Each Obligor hereby represents and warrants to Agent and Purchasers as follows:

(a) Each Obligor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization;

(b) Each Obligor has the power and authority to execute and deliver this Amendment and to perform its respective obligations under this Amendment, the Purchase Agreement, the Notes, the Guaranty, the Security Agreement and the other Transaction Documents;

(c) the execution, delivery and performance by each Obligor of this Amendment, the Purchase Agreement, the Notes, the Guaranty, the Security Agreement and the other Transaction Documents have been duly authorized by all necessary company action and does not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any governmental agency);

(d) this Amendment, the Purchase Agreement, the Notes, the Guaranty, the Security Agreement and the other Transaction Documents, as may have been or may further be amended, constitute the legal, valid and binding obligation of each Obligor, enforceable against such Obligor in accordance with its terms;

(e) after giving effect to this Amendment, no Event of Default, or any event or condition which, with the passage of time or giving of notice or both, would constitute an Event of Default exists or shall exist immediately following the consummation of the transactions contemplated hereby;

(f) after giving effect to this Amendment, all representations and warranties by each Obligor contained in the Transaction Documents are true and correct in all material respects as of the date hereof, except to the extent made as of a specific date, in which case each such representation and warranty shall be true and correct as of such date;

(g) Company has provided true, correct and complete copies of Stock Purchase Agreement and other documents related to the CMD Transaction (including the CMD Transaction Seller Financing Documents) to Agent and Purchaser; and

(g) by its signature below, each Obligor agrees that it shall constitute an Event of Default if any representation or warranty made herein is untrue or incorrect in any material respect as of the date when made or deemed made.

8. Agreement in Full Force and Effect as Amended. Except as specifically amended, consented and/or waived hereby, the Existing Purchase Agreement and other Transaction Documents shall remain in full force and effect and are hereby ratified and confirmed as so amended. Except as expressly set forth herein, this Amendment shall not be deemed to be a waiver, amendment or modification of any provisions of the Existing Purchase Agreement or any other Transaction Document or any right, power or remedy of Agent or Purchasers, nor constitute a waiver of any provision of the Existing Purchase Agreement or any other Transaction Document, or any other document, instrument and/or agreement executed or delivered in connection therewith or of any Event of Default under any of the foregoing, in each case, whether arising before or after the date hereof or as a result of performance hereunder or thereunder. This Amendment also shall not preclude the future exercise of any right, remedy, power, or privilege available to Agent or Purchasers whether under the Existing Purchase Agreement, the other Transaction Documents, at law or otherwise and nothing contained herein shall constitute a course of conduct or dealing among the parties hereto. This Amendment shall not constitute a novation or satisfaction and accord of the Existing Purchase Agreement and/or other Transaction Documents, but shall constitute an amendment thereof. The parties hereto agree to be bound by the terms and conditions of the Existing Purchase Agreement and Transaction Documents as amended by this Amendment, as though such terms and conditions were set forth herein. Each reference in the Purchase Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of similar import shall mean and be a reference to the Existing Purchase Agreement as amended by this Amendment. All references to the Purchase Agreement in any Transaction Document shall be deemed to mean the Existing Purchase Agreement as modified hereby and all references to the Notes in any Transaction Document shall be deemed to mean the Notes as modified hereby. For the avoidance of doubt, and not as a limitation to the applicability of the other provisions of the the Existing Purchase Agreement, the restriction against Restricted Payments as set forth in Section 3(d) of the First Amendment, the “Applicable Rate” set forth in the Third Amendment, the monthly prepayment obligation to make $500,000/month payment commencing on April 1, 2025 as set forth in Section 7(e) of the Third Amendment, the applicability of the Exit Fee as set forth in Section 7(f) of the Third Amendment and the obligation to make a $4,000,000 no later than January 31, 2025 pursuant to Section 6 of the Third Amendment continue to apply without modification.

9. Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, each of which when so executed, shall be deemed an original and all said counterparts when taken together shall be deemed to constitute but one and the same instrument.

10. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of Obligors and their successors and assigns and Agent and Purchasers and their respective successors and assigns.

11. Further Assurances. Company hereby agrees from time to time, as and when requested by Agent, to execute and deliver or cause to be executed and delivered, all such documents, instruments and agreements and to take or cause to be taken such further or other action as Agent may reasonably deem necessary or desirable in order to carry out the intent and purposes of this Amendment, the Purchase Agreement and the other Transaction Documents.

12. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

13. Severability. Wherever possible, each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Amendment.

14. Reaffirmation. Each Obligor as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which such Obligor grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Transaction Documents to which it is a party (after giving effect hereto) and (ii) to the extent such Obligor granted liens on or security interests in any of its property pursuant to any such Transaction Document as security for or otherwise guaranteed the Obligations under or with respect to the Transaction Documents, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. Each Obligor hereby consents to this Amendment and acknowledges that each of the Transaction Documents remains in full force and effect and is hereby ratified and reaffirmed. Except as expressly set forth herein, the execution of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or Purchasers, constitute a waiver of any provision of any of the Transaction Documents or serve to effect a novation of the Obligations.

15. Waiver of Claims. Each Obligor hereby acknowledges and agrees that it has no offsets, defenses, causes of action, suits, damages, claims, or counterclaims against Agent, any Purchaser, or any of their respective officers, directors, employees, attorneys, agents, representatives, subsidiaries, affiliates, predecessors, successors, and assigns (collectively, the “Released Parties”) with respect to the Obligations, the Transaction Documents, any Collateral for the Obligations, or any contracts, promises, commitments or other agreements related to the Transaction Documents, and that if any Obligor now has, or ever did have, any offsets, defenses, causes of action, suits, damages, claims, or counterclaims against one or more of the Released Parties, whether known or unknown, at law or in equity, from the beginning of the world through this date and through the time of execution of this Amendment, all of them are hereby expressly WAIVED, and each Obligor and the Company hereby RELEASES the Released Parties from any liability therefor.

[Remainder of Page Intentionally Left Blank; Signature Page Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

AGENT:

Leonite Capital LLC

By: /s/ Avi Geller
Name: Avi Geller
Title: Chief Investment Officer

PURCHASERS:

ALTIMIR PARTNERS LP

By: SILAC INSURANCE COMPANY

By: /s/ Chandra Patel
Name: Chandra Patel
Title: Managing Director of Antarctica Investment Advisors, LLC, as attorney-in-fact for SILAC Insurance Company

BEAMAN SPECIAL OPPORTUNITIES PARTNERS, LP

By: SILAC INSURANCE COMPANY

By: /s/ Chandra Patel
Name: Chandra Patel
Title: Managing Director of Antarctica Investment Advisors, LLC, as attorney-in-fact for SILAC Insurance Company

Leonite Capital LLC

By: /s/ Avi Geller
Name: Avi Geller
Title: Chief Investment Officer

COMPANY:

1847 Holdings LLC

By: /s/ Ellery W. Roberts
Name: Ellery W. Roberts
Title: Chief Executive Officer

GUARANTORS:

1847 Wolo Inc.
1847 Cabinet Inc.
Kyle's Custom Wood Shop, Inc.
Sierra Homes LLC
Wolo Industrial Horn & Signal, Inc. Wolo Mfg. Corp.
1847 CMD Inc.,
CMD Inc.
CMD Finish Carpentry LLC

By: /s/ Ellery W. Roberts
Name: Ellery W. Roberts
Title: Executive Chairman

ARIZONA

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE – GROSS

1. Basic Provisions ("Basic Provisions").

1.1 **Parties.** This Lease **("Lease"),** dated for reference purposes only February 15, 2025, is made by and between G4 Business Management, LLC **("Lessor")** and CMD, Inc. **("Lessee"),** (collectively the **"Parties",** or individually a **"Party").**

1.2 (a) **Premises:** That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known as (street address, unit/suite, city, state, zip): 2745 N Kiowa Blvd, Unit 102, Lake Havasu City, AZ 86404 **("Premises")**. The Premises are located in the County of Mohave, and are generally described as (describe briefly the nature of the Premises and the "Project"): An approximate 2,375 square foot of a large multi-tenant industrial building. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to any utility raceways of the building containing the Premises **("Building")** and to the Common Areas (as defined in Paragraph 2.7 below), but shall not have any rights to the roof, or exterior walls of the Building or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2)

1.2 (b) **Parking:** N/A unreserved vehicle parking spaces (See also Paragraph 2.6)

1.3 **Term:** Three (3) years and Zero (0) months **("Original Term")** commencing February 15, 2025 **("Commencement Date")** and ending February 14, 2028 **("Expiration Date").** (See also Paragraph 3)

1.4 **Early Possession:** If the Premises are available Lessee may have non-exclusive possession of the Premises commencing Upon receipt of all required documents **("Early Possession Date")** (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** $2,800.00 per month **("Base Rent"),** payable on the 1st day of each month commencing February 15, 2025. (See also Paragraph 4)

X If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 74.

1.6 **Lessee's Share of Common Area Operating Expenses:** Fifty percent (50%) **("Lessee's Share").** In the event that the size of the Premises and/or the Project are modified during the term of this Lease, Lessor shall recalculate Lessee's Share to reflect such modification.

/s/ ________ /s/ ________

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1.7 **Base Rent and Other Monies Paid Upon Execution:**

(a) **Base Rent:** $2,800.00 for the period February 15, 2025 – March 14, 2025.

(b) **Common Area Operating Expenses:** The current estimate for the period February 15, 2025 – March 14, 2025 is $500.00.

(c) **Security Deposit:** $5,600.00 **("Security Deposit").** (See also Paragraph 5)

(d) **Other:** N/A for N/A.

(e) **Total Due Upon Execution of this Lease:** $8,900.00.

1.8 **Agreed Use:** Manufacturing, storage and installation of doors and related items and all activities related thereto (See also Paragraph 6)

1.9 **Insuring Party.** Lessor is the **"Insuring Party"**. (See also Paragraph 8)

1.10 **Real Estate Brokers.** (See also Paragraph 15 and 25)

(a) **Representation:** The following real estate broker(s) (the **"Broker(s)")** and brokerage relationships exist in this transaction (check applicable boxes):

X Management Properties, Inc. represents Lessor exclusively **("Lessor's Broker");** or

☐ _____________ represents Lessee exclusively **("Lessee's Broker");** or

☐ _____________ represents both Lessor and Lessee **("Dual Agency").**

(b) **Payment to Brokers.** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of _____ or ______% of the total Base Rent) for the brokerage services rendered by the Brokers.

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by _______ **("Guarantor").** (See also Paragraph 37)

/s/ ________ /s/ ________

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1.12 **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

X an Addendum consisting of Paragraphs 50 through 73;

X a site plan depicting the Premises; Exhibit A

X a site plan depicting the Project;

☐ a current set of the Rules and Regulations for the Project; Exhibit B

☐ a current set of the Rules and Regulations adopted by the owners' association;

☐ a Work Letter;

X other (specify): Exhibit B: Rules & Regulations; Exhibit C: Hazardous Waste Rider; Exhibit D: Early Entry.

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. **NOTE: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building **("Unit")** to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs **("Start Date"),** and, so long as the required service contracts described in Paragraph 7.l(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems **("HVAC"),** loading doors, sump pumps, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects, and that the Unit does not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprin kier systems, roof, foundations, and/or bearing walls - see Paragraph 7), Lessor also warrants, that unless otherwise specified in writing, Lessor is unaware of (i) any recorded Notices of Default affecting the Premise; (ii) any delinquent amounts due under any loan secured by the Premises; and (iii) any bankruptcy proceeding affecting the Premises.

/s/ /s/

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2.3 **Compliance.** Lessor warrants that to the best of its knowledge the improvements on the Premises and the Common Areas comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances **("Applicable Requirements")** that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 49), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building **("Capital Expenditure"),** Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to l/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay Interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid, If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not have any right to terminate this Lease.

/s/ /s/

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2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises; (b) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use; (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises; (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor; (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Parking Spaces specified in Paragraph l.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor. In addition:

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

/s/ /s/

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2.7 **Common Areas - Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roofs, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas - Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas - Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations **("Rules and Regulations")** for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and shall use its best efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform, Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas -Changes,** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

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3. Term.

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 13.

3.2 **Early Possession.** Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period Any such Early Possession shall not affect the Expiration Date.

3.3 **Delay In Possession** Lessor agrees to use commercially reasonable efforts to deliver exclusive possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance, Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. Rent.

4.1 **Rent Defined** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent **("Rent"),**

4.2 **Common Area Operating Expenses.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) The following costs relating to the ownership and operation of the Project are defined as **"Common Area Operating Expenses":**

(i) Costs relating to the operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, exterior walls of the buildings, building systems and roof drainage systems.

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(bb) Exterior signs and any tenant directories

(cc) Any fire sprinkler systems.

(dd) All other areas and improvements that are within the exterior boundaries of the Project but outside of the Premises and/or any other space occupied by a tenant.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) The cost of trash disposal, pest control services, property management, security services, owners' association dues and fees, the cost to repaint the exterior of any structures and the cost of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas and Common Area equipment.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) Auditors', accountants' and attorneys' fees and costs related to the operation, maintenance, repair and replacement of the Project

(ix) The cost of any capital improvement to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such capital improvement over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such capital improvement in any given month Lessee shall pay Interest on the unamortized balance but may prepay its obligation at any time.

(x) The cost of any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

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(d) Lessee's Share of Common Area Operating Expenses is payable monthly on the same day as the Base Rent is due hereunder. The amount of such payments shall be based on Lessor's estimate of the annual Common Area Operating Expenses. Within 60 days after written request (but not more than once each year) Lessor shall deliver to Lessee a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses for the preceding year If Lessee's payments during such year exceed Lessee's Share, Lessor shall credit the amount of such over-payment against Lessee's future payments If Lessee's payments during such year were less than Lessee's Share, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.

(e) Common Area Operating Expenses shall not include the cost of replacing equipment or capital components such as the roof, foundations, exterior walls or Common Area capital improvements, such as the parking lot paving, elevators, fences that have a useful life for accounting purposes of 5 years or more.

(f) Common Area Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or insurance proceeds.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due All monetary amounts shall be rounded to the nearest whole dollar. In the event that any statement or invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $45 in addition to any Late Charge and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Common Area Operating Expenses, and any remaining amount to any other outstanding charges or costs.

4.4 **Rental Taxes.** In addition to Base Rent and Common Area Operating Expenses, Lessee shall pay to Lessor each month an amount equal to any rental taxes, gross receipts taxes, transaction privilege taxes, sales taxes, or similar taxes **("Rental Taxes")** levied on the Base Rent Common Area Operating Expenses then due or otherwise assessed in connection with the rental activity. Said monies shall be paid at the same time and in the same manner as the Base Rent.

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. Lessor shall upon written request provide Lessee with an accounting showing how that portion of the Security Deposit that was not returned was applied No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease. THE SECURITY DEPOSIT SHALL NOT BE USED BY LESSEE IN LIEU OF PAYMENT OF THE LAST MONTH'S RENT.

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6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessors hall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the Building or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Project. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use,

6.2 **Hazardous Substances**.

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises; (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank; (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties, Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

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(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Lessee)- Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) Lessor Indemnification. Except as otherwise provided in paragraph 8 7, Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which are suffered as a direct result of Hazardous Substances on the Premises prior to Lessee taking possession or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations**. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Lessee taking possession, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.l(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and *effect,* but subject to Lessor's rights under Paragraph 6,2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available, If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

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6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said Applicable Requirements are now in *effect* or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor In writing (with copies of any documents Involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises co comply with any Applicable Requirements. Likewise, Lessee shall immediately give Written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 **Inspection; Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants authorized by Lessor shall have the right to enter into Premises at any time in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting and/or testing the condition of the Premises and/or for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see Paragraph 9.l(e)) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets **(MSDS)** to Lessor within 10 days of the receipt of written request therefor. Lessee acknowledges that any failure on its part to allow such inspections or testing will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to allow such inspections and/or testing in a timely fashion the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater for the remainder to the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to allow such inspection and/or testing. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to such failure nor prevent the exercise of any of the other rights and remedies granted hereunder.

7. Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2,2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7,2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair

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(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler and pressure vessels, and (iii) clarifiers However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8,7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.l(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (i e 1/144th of the cost per month), Lessee shall pay Interest on the unamortized balance but may prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2 2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

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(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, do not trigger the requirement for additional modifications and/or improvements to the Premises resulting from Applicable Requirements, such as compliance with Title 24, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Liens; Bonds,** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

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(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing and the provisions of Paragraph 7.l(a), if the Lessee occupies the Premises for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee, Lessee shall also remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) to the level specified in Applicable Requirements, Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. Insurance; Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. The **"Base Premium"** shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) Lessee shall pay any Insurance Cost Increase to Lessor pursuant to Paragraph 4 2, Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Start Date or Expiration Date.

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000 Lessee shall add Lessor as an additional insured by means of an endorsement at least as

broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an **"insured contract"** for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

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(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance - Building, Improvements and Rental Value.**

(a) **Building and Improvements,** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $5,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value insurance"), Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations, Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

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(c) **Worker's Compensation Insurance** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements. Such policy shall include a 'Waiver of Subrogation' endorsement. Lessee shall provide Lessor with a copy of such endorsement along with the certificate of insurance or copy of the policy required by paragraph 8.5.

(d) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may increase his liability insurance coverage and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, a Breach of the Lease by Lessee and/or the use and/or occupancy of the Premises and/or Project by Lessee and/or by Lessee's employees, contractors or invitees. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor and its Agents from Liability.** Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places; (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project; or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

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8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not

contemplated by this Lease, the extent of which will be extremely difficult to ascertain Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. Damage or Destruction.

9.1 **Definitions.**

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires restoration.

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9.2 **Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage- Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense (subject to reimbursement pursuant to Paragraph 4.2), in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

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9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address. The term "Real Property Taxes" shall also

include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project; (ii) a change in the improvements thereon; and/or (iii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Project, during the entire calendar year in which the Lease is executed.

10.2 **Payment of Taxes.** Except as otherwise provided in Paragraph 10 3, Lessor shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

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10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other tenants or by Lessor for the exclusive enjoyment of such other Tenants. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities and Services. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the trash receptacle and/or an increase in the number of times per month that it is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs. There shall be no abatement of Rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions. Within fifteen days of Lessor's written request, Lessee agrees to deliver to Lessor such information, documents and/or authorization as Lessor needs in order for Lessor to comply with new or existing Applicable Requirements relating to commercial building energy usage, ratings, and/or the reporting thereof.

12. Assignment and Subletting.

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment")** or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

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(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time oft he execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.l(d), or a non-curable Breach without the necessity of any notice and grace period, If Lessor elects to treat such unapproved assignment or subletting as a non-curable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect- Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested-

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, i.e. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or pay phone shall not constitute a subletting,

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

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(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, If any, together with a fee of $1,000 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or sublettirlg shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

(h) If a sublease occurs, any profit above the original agreed upon lease rental payment amounts must go entirely and directly to the Landlord, or the Landlord has the right to take back the premises entirely if the Tenant wishes to vacation, even if the Tenant has found a Landlord approved sub-tenant.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

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(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. Default; Breach; Remedies.

13.1 **Default; Breach. A "Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee. In the event that Lessee commits waste, a nuisance or an illegal activity a second time then, the Lessor may elect to treat such conduct as a non-curable Breach rather than a Default.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.l(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

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(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals *or* exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent

for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover any damages to which Lessor is otherwise entitled If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

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(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, the cost of tenant improvements for Lessee paid for or performed by Lessor, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due shall bear interest from the 31st day after it was due. The interest **("Interest")** charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor,** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to reimbursement from Lessor for any such expense in excess of such offset Lessee shall document the cost of said cure and supply said documentation to Lessor.

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14. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"),** this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the floor area of the Unit, or more than 25% of the parking spaces is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility oft he Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemn or for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. Brokerage Fees.

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, Lessor agrees that: (a) if Lessee exercises any Option, (bl if Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the fee schedule of the Brokers in effect at the time the Lease was executed. The provisions of this paragraph are intended to supersede the provisions of any earlier agreement to the contrary.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker, agent or finder (other than the Brokers and Agents, if any) in connection with this Lease, and that no one other than said named Brokers and Agents is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

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16. Estoppel Certificates.

(a) Each Party (as **"Responding Party")** shall within 10 days after written notice from the other Party (the **"Requesting Party")** execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by AIR CRE, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate. In addition, Lessee acknowledges that any failure on its part to provide such an Estoppel Certificate will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain Accordingly, should the Lessee fail to execute and/or deliver a requested Estoppel Certificate in a timely fashion the monthly Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater for remainder of the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to provide the Estoppel Certificate. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to provide the Estoppel Certificate nor prevent the exercise of any of the other rights and remedies granted hereunder.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. Definition of Lessor. The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined,

18. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. Days. Unless otherwise specifically indicated to the contrary, the word **"days"** as used in this Lease shall mean and refer to calendar days.

20. Limitation on Liability. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction

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21. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. No Prior or Other Agreements; Broker Disclaimer. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party

23. Notices.

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, or by email, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23 The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices delivered by hand, or transmitted by facsimile transmission or by email shall be deemed delivered upon actual receipt. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

23.3 **Options.** Notwithstanding the foregoing, in order to exercise any Options (see Paragraph 39), the Notice must be sent by Certified Mail (return receipt requested), Express Mail (signature required), courier (signature required) or some other methodology that provides a receipt establishing the date the notice was received by the Lessor.

24. Waivers.

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

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(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction, Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) *Lessor's Agent*. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: *To The Lessor*: A fiduciary duty and a duty to protect the Lessor's interests. *To the Lessee and Other Parties:* A duty to deal fairly with the Lessee and other parties to the transaction. *To All Parties:* A duty to disclose in writing any information known to the agent materially affecting the consideration to be paid by any Party or the value or desirability of the property. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) *Lessee's Agent.* An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations *To the Lessee:* A fiduciary duty and a duty to protect and promote the Lessee's interests. *To the Lessor and Other Parties:* A duty to deal fairly with the Lessor and other parties to the transaction. *To All Parties:* A duty to disclose in writing any information known to the agent materially affecting the consideration to be paid by any Party or the value or desirability of the property. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) *Agent Representing Both Lessor and Lessee.* A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: (a) A fiduciary duty and a duty to protect and promote the interests of both Parties in the dealings with either Lessor or the Lessee. (b) Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered, The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

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(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. No Right To Holdover. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease At or prior to the expiration or termination of this Lease Lessee shall deliver exclusive possession of the Premises to Lessor. For purposes of this provision and Paragraph 13.l(a), exclusive possession shall mean that Lessee shall have vacated the Premises, removed all of its personal property therefrom and that the Premises have been returned in the condition specified in this Lease. In the event that Lessee does not deliver exclusive possession to Lessor as specified above, then Lessor's damages during any holdover period shall be computed at the amount of the Rent (as defined in Paragraph 4.1) due during the last full month before the expiration or termination of this Lease (disregarding any temporary abatement of Rent that may have been in effect), but with Base Rent being 150% of the Base Rent payable during such last full month. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located Signatures to this Lease accomplished by means of electronic signature or similar technology shall be legal and binding.

30. Subordination; Attornment; Non-Disturbance.

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"),** now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender")** shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

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30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement")** from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the *record* owner of the Premises. Further, within 60 days *after* the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided *for* herein.

31. Attorneys' Fees. If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party *or* Broker of its claim *or* defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation).

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect on Lessee's use of the Premises All such activities shall be without abatement of rent or liability to Lessee.

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33. Auctions. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. Signs. Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. Termination; Merger. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies, Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. Consents. All requests for consent shall be in writing Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of. or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein .iny particular condition to Lessor's consent shall not preclude the imposition by Lessor at tl1e time of consent of such' further or other conditions a$ are then reasonable with re1ererice to the particular matter for which consent ,s being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish **its** reasons in writing and in reasonable detail within 10 business days following such request.

37. Guarantor.

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by AIR CRE for use in the state of Arizona.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. Quiet Possession. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

/s/ /s/

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39. Options. If Lessee is granted any option, as defined below, then the following provisions shall apply.

39.1 **Definition. "Option"** shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a),

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. Security Measures. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. Reservations. Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign and deliver to Lessor any documents reasonably requested by Lessor to effectuate such rights.

/s/ /s/

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42. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum, If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

43. Authority; Multiple Parties; Execution.

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

44. Conflict. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions sha II be controlled by the typewritten or handwritten provisions.

45. Offer. Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto,

46. Amendments. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

48. Arbitration of Disputes. An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease i-J is -I- is not attached to this Lease.

49. Accessibility; Americans with Disabilities Act. Since compliance with the Americans with Disabilities Act (ADA) and other state and local accessibility statutes are dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in compliance with ADA or other accessibility statutes, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

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LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY AIR CRE OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN ARIZONA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

NOTE: If either Party to this lease is a married individual, both spouses may need to execute this Lease in order to bind the marital community.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: ______________
On: 2/25/25

By LESSOR:

G4 Business Management, LLC

By: /s/ Krista Hudley
Title: Property Manager
Phone:
Fax:
Email:
Address:
Federal ID No:

BROKER

Attn:
Title:
Address:
Phone:
Fax:
Email:
Federal ID No:
Broker License #:
Agent License #:

Executed at: CMD, Inc. Main Office (4495 Delancey Drive, Las Vegas, NV 89103)
On: February 17, 2025

By LESSEE:

CMD, Inc.

By: /s/ Glyn Milburn
Title: President
Phone:
Fax:
Email:
Address:
Federal ID No.:

BROKER

Attn:
Title:
Address:
Phone:
Fax:
Email:
Federal ID No.:
Broker License #:
Agent License #:

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ADDENDUM TO STANDARD INDUSTRIAL LEASE - MULTI-TENANT

Dated February 15, 2025
By and Between
G4 BUSINESS MANAGEMENT, LLC as "Lessor"
and
CMD, LLC as "Lessee"

This Addendum is attached to, incorporated February 15, 2025 (the "Lease") entered into by and between G4 BUSINESS MANAGEMENT, LLC (as "Lessor") and CMD, LLC as ("Lessee"), for certain real property commonly known as 2745 N Kiowa Blvd, Unit 102, Lake Havasu City, AZ 86404 (the "Premises"). Lessor and Lessee agree that notwithstanding anything to the contrary contained in the Lease, the provisions of this Addendum will be deemed to be a part of the Lease and shall supersede any contrary or conflicting provision in the Lease and shall prevail and control all purposes. This Addendum together with the Lease itself represents the fully integrated and binding agreement of the Parties. Capitalized terms used but not defined in this Addendum shall have the meanings given to them in the Lease.

50. **Parking.** In reference to Paragraphs 2.6, and in partial modification thereof; it shall be agreed and understood, Lessee shall not use and shall not permit its employees to use any in parking in front of the Premises.

51. **Early Possession.** In reference to Paragraph 1.4, and in partial modification thereof; Lessee shall be granted Early Possession of the Premises, free of Base Rent and CAM Expenses owed, upon Lessor's satisfaction of the provisions stipulated in Paragraph 1.7 and completion of Lessor's Work stipulated in Paragraph 3.2.

52. **Base Rent.** In reference to Paragraph 1.5, the Base Rent shall be paid as follows:

02/15/2025-03/14/2025: $2,800 Rent + $500.00 Operating Expenses, Property Taxes/Insurance + Security Deposit $5,600.00 = $8,900.00

03/14/2025-02/14/2026: $2,800 Rent + $500.00 Operating Expenses, Property Taxes/Insurance = $3,300.00

02/15/2026-02/14/2027: CPI Minimum 3% + Operating Expenses, Property Taxes/Insurance + Security Deposit Increase*

02/15/2027-02/14/2028: CPI Minimum 3% + Operating Expenses, Property Taxes/Insurance+ Security Deposit Increase*

* Security Deposit Increases are **one-time** fees billed annually.
All other charges (Operating Expenses, Tax & Insurance) are monthly and subject to change at any time

53. **Lessee's Share of Common Area Operating Expenses.** In reference to Paragraphs 1.7 and 4.2 and in partial modification thereof; Lessee's monthly share, in addition to Base Rent, subject to change, shall be $408.84 per month. Said expenses ("CAM Expenses") shall include, but not limited to, management/administration, landscaping (including tree trimming), roof maintenance (rain gutter and downspout cleaning), backflow device, exterior paint and parking lot slurry reserves, trash collection, fire sprinkler system servicing, water and sewer and miscellaneous repairs and maintenance, subject to Lessee's gross negligence in the Premises.

/s/ /s/

54. **Agreed Use.** In reference in Paragraph 1.8, and in partial modification thereof; Lessee shall use and occupy the Premises only for the Permitted Use, and shall not use or occupy the leased premises for any other purpose, including, without limiting the generality of the foregoing, any retail use, automotive repair or washing of vehicles, woodworking use, fiberglass use, any medical or dental office, clinic, laboratory or similar business, and any office use, other than office uses incidental to the Permitted Use, without the prior written consent of Lessor. Lessor shall have the right, at Lessor's sole discretion, to withhold consent to a change in Lessee's Use. During the term of this Lease, and any extension thereof, Lessee shall at its cost and expense promptly observe, perform, execute, and comply with all laws, rules, ordinances and regulations of every governmental authority or agency relating to the Premises, which impose any duty upon Lessor or Lessee with respect to the Premises or the use, control, or enjoyment thereof, or the conduct of any business thereon. Lessee shall not use or occupy the Premises in violation of law and shall, upon five (5) days' written notice from Lessor, discontinue any use of the leased Premises that is declared by any governmental authority having jurisdiction to be a violation of law. Lessee, at its sole cost and expense, shall comply with any direction of any governmental authority having jurisdiction, which shall impose any duty upon Lessee or Lessor with respect to the Premises or the use or occupancy thereof, by reason of the nature of Lessee's use or occupancy of the Premises.

(a) Lessor expressly prohibits the sale, use, distribution, storage, processing, cultivation and growing of marijuana or active marijuana ingredients for any type of use on the Premises. Modification of the Premises for any purpose related to the possession or cultivation of marijuana, including to create higher humidity levels, is prohibited. Lessor may exercise its right under Section 6.4 of the Lease to inspect the Premises at any time to ensure compliance with this paragraph. NOTWITHSTANDING ANY OTHER PROVISION OF THE LEASE, ANY VIOLATION OF THE ABOVE PROVISIONS SHALL BE CONSIDERED WASTE AND NUISANCE UPON THE PREMISES AND SHALL TERMINATE THE LEASE, WITHOUT OPPORTUNIIY FOR CURE. PURSUANT TO SUBDIVISION 4 OF CODE OF CIVIL PROCEDURE SECTION 1161 UPON THREE (3) DAY'S NOTICE TO QUIT THE PREMISES. In case of conflict between the provisions of this Addendum and any other provisions of the Lease, the provisions of the Addendum shall govern. Should any provisions of this Addendum be declared invalid by any court of competent jurisdiction, the remaining provisions hereof shall remain in full force and effect regardless of such declaration.

55. **Condition (Joe Gelber's Provision).** *In reference to Paragraphs 2.2 and 2.3 (Compliance), and in partial modification thereof; subject to Lessor's warranties stipulated in said paragraphs and Lessor's Work referenced below, Lessee specifically agrees to take the Property in its present* ***"As-Is"*** *"with all faults" physical condition and acknowledges reliance solely on its own inspections, test and studies of the Property and all related matters, and not on any reliance of warranties, representation or information from Lessor.*

Following Lessor's warranty periods stipulated in Paragraphs 2.2 and 2.3, Lessee hereby forever waives any and all objections to the physical characteristics and conditions of the Property. Lessee acknowledges and agrees that neither the Lessor nor any of its representatives' consultants, brokers or agents have made any representations or agreements to or with the Lessee on behalf of the Lessor or otherwise as to any matters concerning the Property, including but not limited to, ADA and Title 24 Compliance, the present use thereof, or the suitability of Lessee's intended use of the Property.

/s/ /s/

The foregoing disclaimer includes, without limitation, seismic condition climate air, utilities, improvements required by public entities, the acreage of the Property, the purpose for which the Property is suited, drainage and access to public roads. Lessee further acknowledges and agrees the Property is to be leased and accepted by Lessee in its present condition, "As-Is" "with all faults" and that no patent or latent condition of the Property, whether or not now or hereafter known discovered or discoverable, shall affect the obligations of Lessee.

56. **Condition.** In reference to Paragraph 2.2 and in partial modification thereof; Lessor shall deliver possession of the Premises in an **"as-is/where-is"** condition, subject to the provisions stipulated in said paragraph. Promptly following lease execution, Lessor shall cause to be performed, at Lessor's sole cost and expense, the following building refurbishments and/or renovations ("Lessor's Work") specified herein: see lease.

Lessor will use its best commercial efforts to complete Lessor's Work on or before Early Possession or Commencement Date, provided however, Lessor shall not be responsible for delays due to strikes, other labor disputes, failure of contractors or subcontractors to complete their work on schedule, delays due to governmental regulation ☐ and inspections, or other reasons beyond the control of Lessor.

57. **Payment policy.** In reference to Paragraph 4.3, and in partial modification thereof; Lessee hereby agrees if Lessee fails to pay minimum rent, additional rent or any other monetary obligation, which Lessee is required to pay under this Lease when due for any three (3) consecutive months, or for any four (4) months in a calendar year, minimum rent for the remaining term of the Lease shall automatically be adjusted to be quarterly rental, payable in advance, commencing upon the first day of the month following such consecutive late month, or the fourth late month in a calendar year, and continuing thereafter for the remaining term of the Lease on a quarterly basis in advance. Time is strictly of the essence with respect to the provisions of this paragraph, and sums will only be considered to be timely paid when due if they are received by Lessor on or prior to the due date or within the Five (5) day grace period.

If Lessee chooses to remit payment directly into Lessors bank account or use ACH Direct Deposit, Lessee agrees to submit deposit receipt to bankinq@huncompi.com no later than 5:00pm (PST) on or before the end of the grace period as provided in original lease, there are NO EXCEPTIONS. Shall the Lessee not abide by the policy put into place; late charges will be strictly enforced. There is no extension for weekends or holidays. Lessor may choose to revoke the rights of allowing Lessee the option to pay by bank deposits or ACH deposits at any given time with written notice.

58. **Lessee's Obligations.** In reference to Paragraph 7.1(a), and in partial modification thereof; if Lessee knows, or has reasonable cause to believe, that a portion of the Premises requires repair as stipulated in said paragraph, Lessee shall immediately give written notice of such fact to Lessor ("Lessee's Obligation to Inform Lessor"), and provide Lessor with a copy of any report or related documentation for said required repair and or replacement. Lessee hereby acknowledges that any failure of Lessee's responsibility to notify Lessor stipulated herein, and to maintain the equipment or facilities in the Premises, shall grant Lessor the right to enter into the Premises and perform such repair and/or replacement, on Lessee's behalf, as stipulated in Paragraph 7.1(c).

59. **Utility Installations; Trade Fixtures; Alterations.** In reference to Paragraph 7.3, and in partial modification thereof; Lessee may, but, shall not have the obligation, at Lessee's sole cost and expense, install the following Utility Installations and Alterations stipulated herein/upgrade the existing electrical service in the Premises ("Lessee's Work"'), subject to provisions stipulated in said paragraph and Lessor's prior written approval. Lessor hereby approves and consents to Lessee's Work stipulated herein, subject to provisions stipulated in Paragraph 7.3.

/s/ /s/

60. **Surrender; Restoration.** In reference to Paragraph 7.4(c), and in partial modification thereof; Lessee agrees on the last day of the lease term to surrender the Premises to Lessor in original condition as of the Start Date, except for ordinary wear and tear, as would be normal for Lessee's occupancy and use. Lessee shall have the HVAC unit(s) and warehouse loading door(s) serviced before the Premises are surrendered to Lessor. In the event required services stipulated herein have not performed by Lessee prior to surrender of the Premises, Lessor shall have the HVAC unit(s) and/or loading door(s) serviced and the cost thereof shall be deducted from Lessee's Security Deposit.

61. **Payment of Taxes.** In reference to Paragraph 10.2(a), and in partial modification thereof; Lessee shall not be obligated to pay any increase in Real Property Taxes which may be attributed to a reassessment of the

Premises due to a sale.

62. **Utilities and Services.** In reference to Paragraph 11, and in partial modification thereof; Lessee's industry standard use of water and disposal of trash, subject to change, shall be included in Lessee's Share of Common Area Operating Expenses.

63. **Notices.** In reference to Paragraph 23, notices to Lessor and Lessee shall be sent to:

Lessor: G4 Business Management, LLC
c/o Management Properties, Inc.
27286 Via Industria, Suite B
Temecula, California 92590

Lessee: CMD, Inc.
2745 N Kiowa Blvd, Unit 102
Lake Havasu City, AZ 86404

64. **Signs.** In reference to Paragraph 34, and in partial modification thereof; Lessee shall have the right to install, subject to governmental approvals, at Lessee's sole cost and expense, one (1) exterior sign on the Premises representing Lessee's business name and logo. Such installation and removal shall be made in a manner as to avoid damage or defacement of the Premises, and Lessee shall repair any damage or defacement, including without limitation, discoloration caused by installation or removal and/or areas that would be inconsistent with the building color scheme prior to said installation. Lessor shall have the right, at Lessor's option, to deduct from the Security Deposit such sums as are reasonably necessary to remove sign, including, but not limited to, the costs and expenses associated with any required repairs from said removal.

65. **Quiet Possession.** In reference to Paragraph 38, and in partial modification thereof; all lessees' in the Business Center are entitled to quiet use and quiet enjoyment. Lessee shall not omit excessive noise; odor and vibration, which would not allow said quiet use and quiet enjoyment to the other lessees.

66. **Offer.** In reference to Paragraph 45, and in partial modification thereof; Lessee hereby acknowledges and understands that until said time a fully executed Lease has been delivered to all Parties, Lessor shall have the right to market the Premises, or a portion thereof, or negotiate and/or consummate a lease with third parties with respect to all or a portion of the Premises.

/s/ /s/

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67. **Accessibility; American with Disabilities Act.** In reference to Paragraph 49, and in partial modification thereof; Lessor shall grant Lessee, though Lessee shall not have the obligation, at Lessee's sole cost and expense, the right to have the Premises inspected by a Certified Access Specialist (CASp). It shall be and understood between Lessor and Lessee, in the event said inspection and report shall represent any corrective work in the Premises, Lessee shall have the right, but not the obligation, to perform said corrective work, subject to provisions stipulated in Paragraph 7.3 (Alterations), at Lessee's sole cost and expense.

68. **Rules and Regulations.** In reference to Exhibit **"B"** attached hereto, Lessee agrees to bide by and comply with said Rules !and Regulations and any reasonable and nondiscriminatory amendments, modifications and/or additions thereto as may hereafter be adopted and published by written notice to Lessee by Lessor for the operation, maintenance, safety, care, security, good order, and/or cleanliness of the Leased Premises, the Building, and/or the Common Areas. Lessor shall not be liable to Lessee for any violation of such rules and regulations by any other lessee or any other user of the Common Areas.

69. **Relationship of Parties.** Neither the method of computation of rent, nor any other provisions contained in this Lease, nor any acts of the parties will be deemed or construed by that party, or by any third person to create the relationship of principal and agent, or of partnership, or of joint venture, or of any association between Lessor and Lessee, other than the relationship of Lessor and Lessee.

70. **Lessee's Access to the Premises.** Lessor hereby grants Lessee access and possession of the Premises, 24 hours a day, seven days a week, 365 days a year, subject to, but not limited to, government and/or municipal authority and/or damage to the Premises.

71. **Modifications.** This Lease contains all of the terms agreed upon by Lessor and Lessee with respect to the Premises. This Lease supersedes all prior negotiations, correspondence, and agreements. No officer, partner, agent, or employee of any party has any authority to make representations or promises not contained in this Lease, and each of the parties agrees that it has not executed this Lease in reliance upon any representations or promises not set forth in this Lease. This Lease may not be modified or changed except by written instrument signed by Lessor and Lessee.

72. **Confidentiality.** It shall be agreed and understood by Lessor, Lessee and Real Estate Brokers in this proposed transaction, all terms and conditions are strictly confidential between the parties and their respective counsel, if applicable. Lessor, Lessee and Real Estate Brokers in connection herewith, agree not to disclose any related information to those who are not a party to this proposed transaction.

/s/ /s/

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73. **Lease Contract & Conditions.** The obligations of Lessor and Lessee stipulated in Lease shall be contingent and subject to the following conditions:

a. Execution of Lease and delivery by Lessee to Lessor or Lessor's Real Estate Broker.

b. Issuance of insurance for Lessee's Permitted Use and copy of Certificate of Liability Insurance provided to Lessor, naming Lessor and Management Properties, Inc., as Additional Insured.

c. Lessor's receipt of first month's Base Rent, Lessee's Share of Common Area Expenses C'CAM Expenses'') and Security Deposit stipulated in Paragraph 1.7.

d. Proof of Individual(s) identity by submitting copy(ies) of respective Driver License(s) to Lessor.

e. Lessor's and Lessee's mutual agreement of the proposed tenant improvements, if any.

f. Issuance of Business License by the City of Lake Havasu.

g. Lessee agrees to have the City of Lake Havasu set electric meter, turn on electricity and obtain Certificate of Occupancy.

LESSOR:	**LESSEE:**
G4 Business Management, LLC	**CMD, Inc.**
By: /s/ Krista Hudley	By: /s/ Glyn Milburn
Krista Hudley, Property Manager	Glyn Milburn, President
Date: 2/25/25	Date: 2/17/25

/s/ /s/

RENT ADJUSTMENT(S)
STANDARD LEASE ADDENDUM

Dated February 15, 2025

By and Between **G4 Business Management, LLC (Lessor)**
CMD, Inc. (Lessee)

Address of Premises: **2745 N Kiowa Blvd, Unit 102, Lake Havasu City, AZ 86404**

Paragraph: 74

A. RENT ADJUSTMENTS:

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below (Check Method(s) to be Used and Fill in Appropriately)

X **I. Cost of Living Adjustment(s) (COLA)**

a. On (Fill in COLA Dates): February 15, 2026 the Base Rent shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CPI W (Urban Wage Earners and Clerical Workers) or X CPI U (All Urban Consumers), for (Fill in Urban Area): Riverside County, California All Items (1982-1984 = 100), herein referred to as "CPI".

b. The monthly rent payable in accordance with paragraph A.I.a. of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the CPI of the calendar month 2 months prior to the month(s) specified in paragraph A.I.a. above during which the adjustment is to take effect. and the denominator of which shall be the CPI of the calendar month which is 2 months prior to (select one): the X first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") *with a minimum 3% increase* or ☐ (Fill in Other "Base Month"): ________.The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the rent adjustment.

c. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that the Parties cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said Association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitration shall be paid equally by the Parties.

d. Regardless of the monthly rent as determined in (a) above, it is agreed that the Cost of Living Adjustment for each COL Adjustment Date will not be less than Three percent (3%) per annum of the Base Rent established for the month immediately preceding the COL Adjustment Date.

/s/________ /s/________

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☐ **II. Market Rental Value Adjustment(s) (MRV)**

a. On (Fill in MRV Adjustment Date(s): Base Rent shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to each Market Rental Value Adjustment Date described above, the Parties shall attempt to agree upon what the new MRV will be on the adjustment date. If agreement cannot be reached within thirty days, then:

(a) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the Parties, or

(b) Both Lessor and Lessee shall each immediately make a reasonable determination of the MRV and submit such determination, in writing, to arbitration in accordance with the following provisions:

(i) Within 15 days thereafter, Lessor and Lessee shall each select a (an) ☐ appraiser or ☐ broker **("Consultant"** - check one) of their choice to act as an arbitrator. The two arbitrators so appointed shall immediately select a third mutually acceptable Consultant to act as a third arbitrator.

(ii) The 3 arbitrators shall within 30 days of the appointment of the third arbitrator reach a decision as to what the actual MRV for the Premises is, and whether Lessor's or Lessee's submitted MRV is the closest thereto. The decision of a majority of the arbitrators shall be binding on the Parties. The submitted MRV which is determined to be the closest to the actual MRV shall thereafter be used by the Parties.

(iii) If either of the Parties fails to appoint an arbitrator within the specified 15 days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.

(iv) The entire cost of such arbitration shall be paid by the party whose MRV is not selected, i.e., the one that is NOT the closest to the actual MRV.

2) Notwithstanding the foregoing, the new MRV shall not be less than the rent payable for the month immediately preceding the rent adjustment.

b. Upon the establishment of each New Market Rental Value:

1) The new MRV will become the new "Base Rent" for the purpose of calculating any further Adjustments, and

2) The first month of each Market Rental Value term shall become the new "Base Month" for the purpose of calculating any further Adjustments.

/s/________ /s/________

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☐ **III. Fixed Rental Adjustment(s) (FRA)**

The Base Rent shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)): The New Base Rent Shall be:

B. NOTICE:

Unless specified otherwise herein, notice of any such adjustments, other than Fixed Rental Adjustments, shall be made as specified in paragraph 23 of the Lease.

C. BROKER'S FEE:

The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the Lase or if applicable, paragraph 9 of the Sublease.

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suit 800, Los Angeles, CA 90017. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

/s/ /s/

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ARIZONA

ARBITRATION AGREEMENT
STANDARD LEASE ADDENDUM

Dated **February 15, 2025**

By and Between **G4 Business Management, LLC (Lessor)**
CMD, Inc. (Lessee)

Address of Premises: **2745 N Kiowa Blvd, Unit 102, Lake Havasu City, AZ 86404**

Paragraph: 75

A. **ARBITRATION OF DISPUTES:**

Except as provided in Paragraph B below or unless the Parties elect in writing to resolve a claim through non-binding mediation upon terms and conditions mutually acceptable to the Parties, the Parties agree to resolve any and all claims, disputes or disagreements arising under this Lease, including, but not limited to any matter relating to Lessor's failure to approve an assignment, sublease or other transfer of Lessee's interest in the Lease under Paragraph 12 of this Lease, any other defaults by Lessor, or any defaults by Lessee by and through arbitration as provided below and irrevocably waive any and all rights to the contrary The Parties agree to at all times conduct themselves in strict, full, complete and timely accordance with the terms hereof and that any attempt to circumvent the terms of this Arbitration Agreement shall be absolutely null and void and of no force or effect whatsoever.

B. **DISPUTES EXCLUDED FROM ARBITRATION:**

The following claims, disputes or disagreements under this Lease are expressly excluded from the arbitration procedures set forth herein: 1. Disputes for which a different resolution determination is specifically set forth in this Lease, 2. All claims by either party which (a) seek anything other than enforcement or determination of rights under this Lease, or (b) are primarily founded upon matters of fraud, willful misconduct, bad faith or any other allegations of tortious action, and seek the award of puniti.ve or exemplary damages, 3. Claims relating to (a) Lessor's exercise of any unlawful detainer rights pursuant to applicable law or (b) rights or remedies used by Lessor to gain possession of the Premises or terminate Lessee's right of possession to the Premises, all of which disputes shall be resolved by suit filed in the applicable court of jurisdiction, the decision of which court shall be subject to appeal pursuant to applicable law and 4. All claims arising under Paragraph 39 of this Lease.

C. **APPOINTMENT OF AN ARBITRATOR:**

All disputes subject to this Arbitration Agreement, shall be determined by binding arbitration before: X a retired judge of the applicable court of jurisdiction (e.g., the Superior Court of the State of Arizona) affiliated with Judicial Arbitration & Mediation Services, Inc. ("JAMS"), ☐

D. **ARBITRATION PROCEDURE:**

1. **PREHEARING ACTIONS**. The Arbitrator shall schedule a pre-hearing conference to resolve procedural matters, arrange for the exchange of information, obtain stipulations, and narrow the issues. The Parties will submit proposed discovery schedules to the Arbitrator at the pre-hearing conference. The scope and duration of discovery will be within the sole discretion of the Arbitrator. The Arbitrator shall have the discretion to order a pre-hearing exchange of information by the Parties, including, without limitation, production of requested documents, exchange of summaries of testimony of proposed witnesses, and examination by deposition of parties and third-party witnesses. This discretion shall be exercised in favor of discovery reasonable under the circumstances. The Arbitrator shall have the right to issue subpoenas and subpoenas duces tecum to the extent allowed by applicable law.

/s/ /s/

INITIALS INITIALS

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2. **THE DECISION**. The arbitration shall be conducted in the city or county within which the Premises are located at a reasonably convenient site Any Party may be represented by counsel or other authorized representative. In rendering a decision(s), the Arbitrator shall determine the rights and obligations of the Parties according to the substantive laws and the terms and provisions of this Lease. The Arbitrator's decision shall be based on the evidence introduced at the hearing, including all logical and reasonable inferences therefrom. The Arbitrator may make any determination and/or grant any remedy or relief that is just and equitable. The decision must be based on, and accompanied by, a written statement of decision explaining the factual and legal basis for the decision as to each of the principal controverted issues. The decision shall be conclusive and binding, and judgment on the award rendered by the Arbitrator may be entered by a court of competent jurisdiction. The Arbitrator may award costs, including without limitation, Arbitrator's fees and costs, attorneys' fees and costs, and expert and witness fees and costs, to the prevailing party, if any, as determined by the Arbitrator in his discretion.

Whenever a matter which has been submitted to arbitration involves a dispute as to whether or not a particular act or omission (other than a failure to pay money) constitutes a Default, the time to commence or cease such action shall be tolled from the date that the Notice of Arbitration is served through and until the date the Arbitrator renders his or her decision. Provided, however, that this provision shall NOT apply in the event that the Arbitrator determines that the Arbitration Notice was prepared in bad faith.

Whenever a dispute arises between the Parties concerning whether or not the failure to make a payment of money constitutes a default, the service of an Arbitration Notice shall NOT toll the time period in which to pay the money. The Party allegedly obligated to pay the money may, however, elect to pay the money "under protest" by accompanying said payment with a written statement setting forth the reasons for such protest. If thereafter, the Arbitrator determines that the Party who received said money was not entitled to such payment, said money shall be promptly returned to the Party who paid such money under protest together with Interest thereon as defined in Paragraph 13.5. If a Party makes a payment "under protest" but no Notice of Arbitration is filed within thirty days, then such protest shall be deemed waived. (See also Paragraph 42 or 43)

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EXHIBIT "B"

RULES AND REGULATIONS

The rules and regulations set forth herein below are a part of that certain Lease to which these rules and regulations are an Exhibit "B" and into which Lease these rules and regulations are hereby incorporated by this reference:

1. The sidewalk entrances and Common Areas shall not be obstructed by any of the Lessees or used by them for any purpose other than ingress and egress to and from their respective Lease Premises. Lessee will not place or allow to be placed in these areas any wastepaper, dust, garbage, refuse or anything whatsoever that would tend to make them unclean or untidy, or hinder ingress and egress to other Lessees. No work can be conducted outside unit in Common Area. Work must be conducted within the confines of your unit.

2. The windows that reflect or admit light shall not be covered or obstructed by any of the Lessees.

3. All water apparatus shall not be used for any purpose other than those for which they were constructed. Any damages resulting by misuse shall be borne by the Lessee by whom or whose agents, servants or employees cause the same. Lessee shall not let the water run unless in actual use, nor shall they deface any part of the Leased Premises or the project. Prohibited uses include, but are not limited to: car washing, parts washing, etc.

4. No Lessee shall do or permit anything to be done in the Leased Premises or bring or keep anything therein which will increase the risk of fire or obstruct or interfere with the rights of other Lessees or violate or act at variance with the laws relating to fire or with the regulations of the Department or the Board of Health jurisdiction.

5. Lessees, their clerks or servants shall not interfere with other Lessees or those having business with such other Lessees.

6. Nothing shall be thrown by the Lessees, their clerks or servants out of windows or doors. Nothing shall be stored or left outside of the Leased Premises.

7. No birds or small animals shall be kept in or about the Leased Premises nor shall the Lessees operate or permit to be operated any musical sound producing instrument or device inside or outside the Leased Premises.

8. No one shall use the Leased Premises for sleeping apartments or residential purposes or for the storage of personal et lects or articles other than those required for business purposes.

9. It shall be the duty of the respective Lessees to assist and cooperate with Lessor in preventing injury to the premises demised to them respectively.

10. No inflammable oils or other inflammable, dangerous or explosive materials shall be kept or permitted to be kept in or outside the Leased Premises.

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11. Nothing shall be placed on the outside of the windowsills or projections.

12. Lessees shall not place any additional lock upon any door of the Leased Premises without the written consent of Lessor.

13. Lessees shall give prompt notice of any accident to or any defect in the plumbing, climate control, mechanical or electrical apparatus or any other part of the Leased Premises or the project.

14. Lessees shall not make, paint, drill into or in any way deface the walls, ceilings, partitions, floors or other parts of the Leased Premises and the Project except with the prior written consent of Lessor.

15. Lessees will not do or omit to do or permit to be done or omitted anything upon or in respect of the Leased Premises the doing or omission of which (as the case may be) shall be or result in a nuisance.

16. Lessor shall have the right to make such other and further reasonable rules and regulations as in its judgment may, from time to time, be needful for the safety, care, cleanliness and appearance of the Leased Premises and the Project and for the preservation of good order therein and the same shall be kept and observed by the Lessees, their clerks and servants.

17. Lessee agrees not to overburden the parking facilities and agrees to cooperate with Lessor and other Lessees in the use of parking facilities. Lessee shall not park any vehicle within described parking areas displaying advertisement of any kind. Lessee shall not park inoperable vehicles or trailers, either attached or unattached, at any time. Lessor reserves the right in its absolute discretion to determine whether parking facilities are becoming crowded and, in such event, to allocate parking spaces among Lessee and other Lessees, and, at Lessor's election, to locate and, from time to time, to relocate such spaces.

18. Lessee will not put any type of sign, sandwich board, banner, or any other exterior advertising on the premises without prior written permission of the Lessor.

19. Lessee will properly dispose of their trash in the trash bin, break down all boxes, and arrange for private disposal of any items that do not fit into the trash bin.

20. Oil, paint, gas, cleaners or any other fluid and/or hazardous substance will be disposed of by Lessee off the premises at Lessee's expense.

21. Lessee will arrange their interior storage so that they do not interfere or obstruct fire sprinklers in any way, shape or fashion. Lessee will maintain the required minimum clearance from tire sprinklers at all times.

22. Lessee will not make any additions, partitions or changes to unit layout without prior written approval from Lessor.

23. Lessees agree to the foregoing Rules and Regulations which are hereby made a part of their Leases, and each of them agrees that any infraction of them shall constitute an event of default under Article 13 of their Leases and all of the provisions of Article 13 of their Leases shall apply to such event of default.

EXHIBIT "C"

HAZARDOUS WASTE RIDER

This HAZARDOUS WASTE RIDER ("Rider") is attached to and made a part of that certain Lease dated February 15, 2025 between G4 BUSINESS MANAGEMENT, LLC as Lessor and CMD, Inc. as Lessee(s). Unless otherwise defined in the Riders, capitalized terms used in this Rider shall have the same meaning as set forth in the lease. Lessee, at its sole cost and expense, shall comply with all laws, rules, regulations, order, and the like relating to the storage, use and/or disposal of hazardous, toxic or radioactive matter, including those materials identified in Title 49 of the Arizona Revised Statutes, Chapter 5 ("Title 49") as amended from time to time (collectively "Toxic Materials"). Lessee shall not cause or permit any Toxic Materials to be brought upon, deposited, stored, used, or disposed of in or about the Premises or the parking facilities or common areas serving the Premises by Lessee, its agents, employees, contractors, or invitees, without the prior written consent of Lessor, which consent Lessor may withhold in its sole discretion provided, however, that Lessee accepts no responsibility for the environmental condition of the premises prior to commencement of Lessee's occupancy. Lessee's breach of the covenants contained herein shall constitute a material default under this Lease. Lessee shall be solely responsible for and shall defend, indemnify and hold Lessor, Lessor's agents and the Premises harmless from and against all claims, cost and liabilities, including attorneys' fees and costs, arising out of or in connection with the removal of Toxic Materials from the Premises, and/or any adjacent property or the clean-up of the Premises and/or any adjacent property including without limitation, any and all restoration work and materials necessary to return the Premises and any other property of whatever nature to their condition existing prior to the appearance of the Toxic Materials on the

Premises. Lessee's obligations hereunder shall survive the termination of this Lease.

LESSEE:

CMD, INC.

By: /s/ Glyn Milburn Date: 2/17/25
Glyn Milburn, President

EXHIBIT "D"

EARLY ENTRY ADDENDUM

Lessor consents to the entry of Lessee into and upon the premises **2745 N Kiowa Blvd, Unit 102, Lake Havasu City, AZ 86404** prior to the commencement date of this Lease for the purpose of cleaning, repairing, furnishing, and decorating. Prior to the commencement date of this Lease and during the period Lessor has consented to Lessee's entry into and upon the premises, Lessee shall indemnify and hold harmless Lessor from and against any and all claims arising from Lessee's use of the premises, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in or about the premises or elsewhere and shall further indemnify and hold harmless Lessor from and against any and all claims arising from any negligence of the Lessee, or any of Lessee's agents, contractors, or employees, and from and against all costs, attorney's fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Lessor by reason of any such claim, Lessee upon notice from Lessor, shall defend the same at Lessee's expense by counsel satisfactory to Lessor. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property or injury to persons, in or upon, or against the premises arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor.

Date of early entry shall be established upon Lessor's receipt of signed leases, pavement and property insurance.

LESSOR:

G4 BUSINESS MANAGEMENT, LLC

By: /s/ Krista Hudley
Krista Hudley, Property Manager

Date: 2/25/25

LESSEE:

CMD, INC.

By: /s/ Glyn Milburn
Glyn Milburn, President

Date: 2/17/25

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee
1847 Holdings, Inc.

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-272059) of 1847 Holdings, Inc., (the "Company") of our report dated March 30, 2026, relating to the consolidated financial statements, which appear in the Company's Annual Report on Form 10-K as of and for the years ended December 31, 2025 and 2024 to which this consent is filed as an exhibit. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ Sadler, Gibb & Associates, LLC

Draper, UT
March 30, 2026

Exhibit 31.1

CERTIFICATIONS

I, Ellery W. Roberts, certify that:

1. I have reviewed this annual report on Form 10-K of 1847 Holdings LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2026

/s/ Ellery W. Roberts

Ellery W. Roberts
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Vernice L. Howard, certify that:

1. I have reviewed this annual report on Form 10-K of 1847 Holdings LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2026

/s/ Vernice L. Howard

Vernice L. Howard
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned Chief Executive Officer of 1847 HOLDINGS LLC (the “Company”), DOES HEREBY CERTIFY that:

1. The Company’s Annual Report on Form 10-K for the year ended December 31, 2025 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on March 31, 2026.

/s/ Ellery W. Roberts
Ellery W. Roberts
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to 1847 Holdings LLC and will be retained by 1847 Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned Chief Financial Officer of 1847 HOLDINGS LLC (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2025 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on March 31, 2026.

/s/ Vernice L. Howard

Vernice L. Howard
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to 1847 Holdings LLC and will be retained by 1847 Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.