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As filed with the Securities and Exchange Commission on October 4, 2021.

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

ARHAUS, INC.
(Exact name of registrant as specified in its charter)

Delaware	5712	87-1729256
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

51 E. Hines Hill Road
Boston Heights, Ohio 44236
(440) 439-7700
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John Reed
Chief Executive Officer
51 E. Hines Hill Road
Boston Heights, Ohio 44236
(440) 439-7700
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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127 Public Square, Suite 2000
Cleveland, Ohio 44114-1214
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition 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	☒	Smaller reporting company	☐
		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 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee (3)
Class A Common Stock, par value $0.001 per share	$100,000,000	$9,270

(1) Includes the offering price of shares of Class A common stock that may be sold if the option to purchase additional shares of Class A common stock granted by the Registrant to the underwriters is exercised.
(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.
(3) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

Explanatory Note

Arhaus, Inc., the registrant whose name appears on the cover of this registration statement, is a Delaware corporation. Arhaus, Inc. was formed for the purpose of completing a public offering and related transactions to carry on the business of Arhaus, LLC and its subsidiaries. Upon the consummation of this offering, Arhaus, LLC will become a wholly owned subsidiary of Arhaus, Inc. through a series of reorganizational transactions. In the accompanying prospectus, we refer to all of the transactions related to our reorganization as the "Reorganization." Except as disclosed in the prospectus, the consolidated financial statements and summary historical consolidated financial data and other financial information included in this Registration Statement are those of Arhaus, LLC and its subsidiaries and do not give effect to the Reorganization. Only shares of common stock of Arhaus, Inc. are being sold in this offering.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated October 4, 2021

PRELIMINARY PROSPECTUS

Shares

ARHAUS®

Arhaus, Inc.

Class A Common Stock

This is the initial public offering of shares of Class A common stock of Arhaus, Inc. We are selling shares of our Class A common stock and the selling stockholders identified in this prospectus are selling shares of Class A common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

Prior to this offering, there has been no public market for the Class A common stock. It is currently estimated that the initial public offering price will be between $ and $ per share. We have applied to list our Class A common stock on the Nasdaq Global Select Market, or Nasdaq, under the symbol "ARHS."

We will have two classes of authorized common stock after this offering: Class A common stock offered hereby and Class B common stock. The rights of the holders of Class A common stock and Class B common stock will be identical, except with respect to voting, conversion and transfer rights. Each share of Class A common stock entitles its holder to one vote on all matters presented to our stockholders generally. Each share of Class B common stock entitles its holder to ten votes on all matters presented to our stockholders generally and may be converted at any time into one share of Class A common stock. Each share of Class B common stock will automatically convert into one share of Class A common stock upon any sale or transfer thereof, subject to certain exceptions. In addition, all shares of Class B common stock will automatically convert into shares of Class A common stock in certain circumstances, including the earliest to occur of (i) twelve months after the death or incapacity of our Founder, and (ii) the date upon which the then outstanding shares of Class B common stock first represent less than 10% of the voting power of the then outstanding shares of Class A common stock and Class B common stock. See "Description of Capital Stock—Class A Common Stock and Class B Common Stock." Upon the completion of this offering, all shares of Class B common stock will be held by our Founder and certain trusts for the benefit of certain family members of our Founder. The holders of Class B common stock will hold approximately % of the voting power of our outstanding capital stock immediately following this offering (or approximately % if the underwriters exercise in full their option to purchase additional shares).

After the consummation of this offering, we will be a "controlled company" within the meaning of Nasdaq rules. See "The Reorganization" and "Management—Controlled Company Exception."

We are an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended, or the Securities Act, and will be subject to reduced disclosure and public reporting requirements. See "Prospectus Summary—Implications of Being an Emerging Growth Company." This prospectus complies with the requirements that apply to an issuer that is an emerging growth company.

Investing in our Class A common stock involves risks that are described in the "Risk Factors" section beginning on page 22 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to the selling stockholders	$	$

(1) We refer you to "Underwriting," beginning on page 155 of this prospectus, for additional information regarding total underwriter compensation.

To the extent that the underwriters sell more than shares of common stock, the underwriters have an option to purchase up to an additional shares from the selling stockholders at the initial public offering price less the underwriting discount.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock against payment in New York, New York on , 2021.

BofA Securities **Jefferies**

Morgan Stanley **Piper Sandler**

Baird **Barclays** **Guggenheim Securities** **William Blair** **Telsey Advisory Group**

Prospectus dated , 2021.

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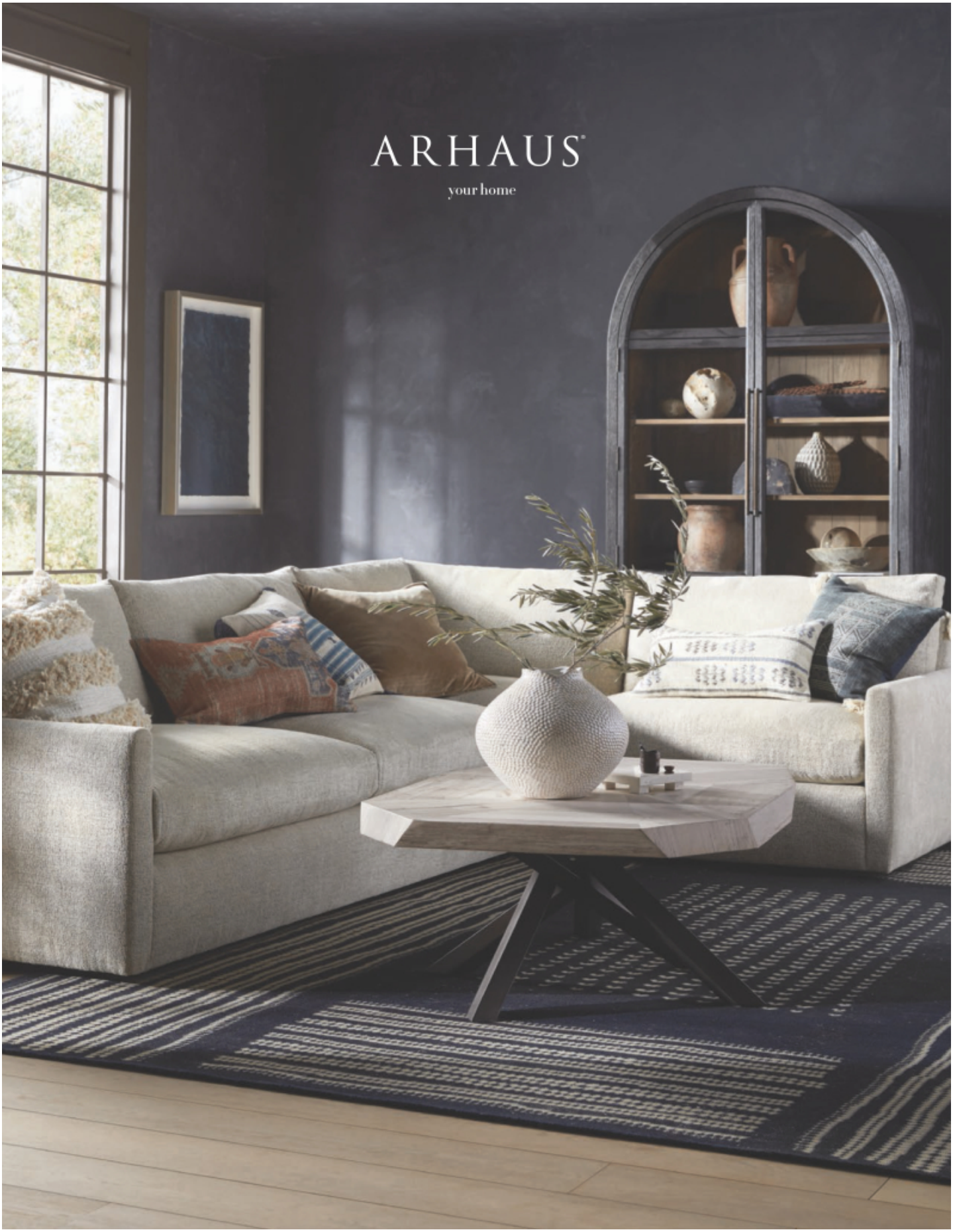

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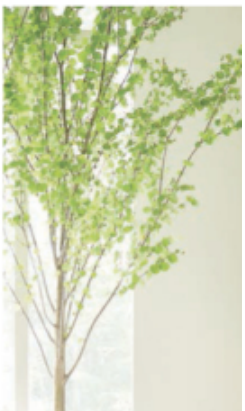
We were founded in 1986 on a simple idea: furniture should be responsibly sourced, lovingly made and built to last.

Today, we partner with artisans around the world who share our vision, creating beautiful, heirloom-quality home furnishings that clients can use for generations.



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With 75 theater-like showrooms across the United States, a team of interior designers providing complimentary in-home design services, and robust online and ecommerce capabilities, Arhaus is known for innovative design, responsible sourcing, and client-first service.

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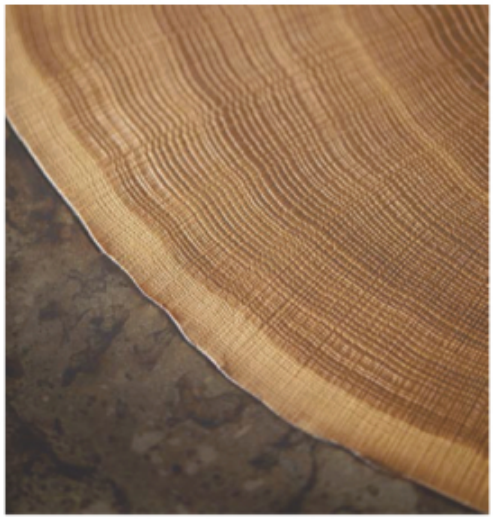







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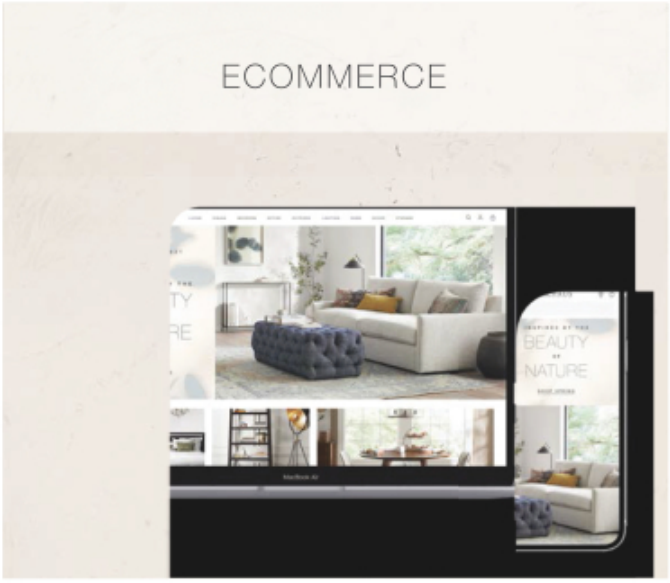

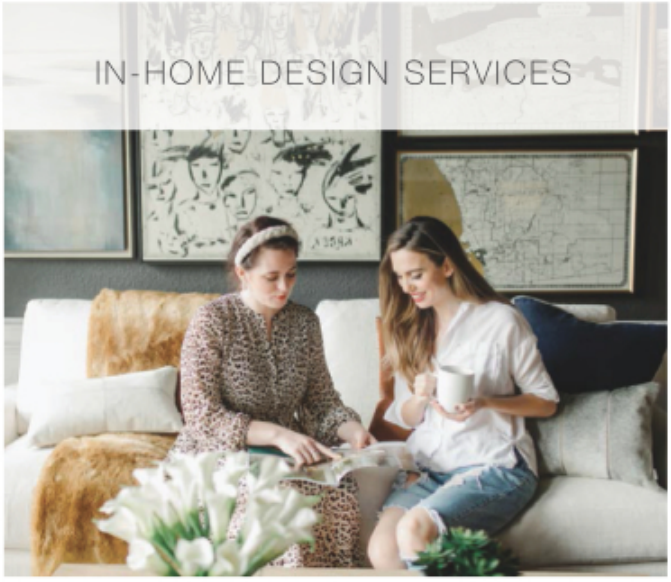

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You should rely only on the information contained in this prospectus or contained in any free writing prospectus prepared by or on behalf of us or to which we have referred you. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus or in any free writing prospectus that we file with the Securities and Exchange Commission, or the SEC. We and the underwriters have not authorized anyone to provide you with information or to make any representations other than those contained in this prospectus or any related free writing prospectus. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sale of our Class A common stock. Our business, financial condition, results of operations, liquidity and prospects may have changed since that date.

Through and including , 2021 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and for an unsold allotment or subscription.

For investors outside the United States: We have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus or any free writing prospectus we may provide to you in connection with this offering in any jurisdiction where action for that purpose is required, other than the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of Class A common stock and the distribution of this prospectus outside the United States. See "Underwriting."

BASIS OF PRESENTATION

Organizational Structure

As further described herein, our business has been conducted by Arhaus, LLC and its subsidiaries. Arhaus, Inc., the issuer in this offering, was incorporated in connection with this offering to serve as a holding company that will indirectly wholly own Arhaus, LLC and its subsidiaries. Arhaus, Inc. has not engaged in any business or other activities other than those incidental to its formation, the reorganizational transactions described herein and the preparation of this prospectus and registration statement of which this prospectus forms a part. Following this offering, Arhaus, Inc. will remain a holding company, will wholly own the equity interests of Arhaus, LLC and will operate and control all of the business and affairs and consolidate the financial results of Arhaus, LLC and its subsidiaries. Unless stated otherwise or the context otherwise requires, all information in this prospectus reflects the transactions related to our reorganization, which we refer to as the Reorganization. See "Reorganization" for a description of the Reorganization and a diagram depicting our corporate structure after giving effect to the Reorganization and this offering. Following the completion of this offering, we intend to include the financial statements of Arhaus, Inc. and its consolidated subsidiaries in our periodic reports and other filings required by applicable law and the rules and regulations of the SEC.

Certain Definitions

As used in this prospectus, unless the context otherwise requires:

- *"we," "us," "our," the "Company," "Arhaus,"* and similar references refer to, prior to the Reorganization discussed elsewhere in this prospectus, Arhaus, LLC together with its consolidated subsidiaries, unless the context requires otherwise.
- "*Arhaus Holding*" refers to FS Arhaus Holding Inc.
- "*Class B Trusts*" refers to (i) the John P. Reed Trust dated 4/29/1985, as amended, of which Mr. Reed is trustee, (ii) the Reed 2013 Generation Skipping Trust, or the 2013 Trust, of which Messrs. Adams and Beargie are trustees, (iii) The John P. Reed 2019 GRAT, of which Mr. Reed is trustee, and (iv) the 2018 Reed Dynasty Trust, or the 2018 Trust, of which Messrs. Adams and Beargie are trustees.
- "*Freeman Spogli Funds*" refers to FS Equity Partners VI, L.P. and FS Affiliates VI, L.P., funds affiliated with Freeman Spogli & Co.
- "*Founder*" refers to John Reed and when used in the context of ownership of our securities, includes trusts or other entities controlled by him that will hold Class B common stock upon completion of this offering.
- "*Founder Family Trusts*" refers to (i) the Reed 2013 Generation Skipping Trust, or the 2013 Trust, which is an irrevocable trust and of which Messrs. Adams and Beargie are trustees, and (ii) the 2018 Reed Dynasty Trust, or the 2018 Trust, which is an irrevocable trust and of which Messrs. Adams and Beargie are trustees.

- "*Homeworks*" refers to Homeworks Holdings, Inc., a corporation beneficially owned by our Founder.
- "*Management Unitholders*" refers to members of management with incentive unit holdings.
- *"Outlets"* or *"Outlet stores"* refers to Arhaus Loft branded retail locations that sell clearance and discontinued merchandise.
- "*Premium Furniture Segment*" or "*premium home furnishings market*" refers to the high-end home furniture industry, which we believe is the portion of the market with higher than industry average merchandise price points and quality.
- "*Reorganization*" refers to a series of transactions that will be completed prior to the consummation of this offering, which we refer to, collectively, as the Reorganization. Arhaus, Inc., a Delaware corporation, was formed in connection with this offering, and is the issuer of the Class A common stock offered by this prospectus. All of our business operations are conducted through Arhaus, LLC and its wholly owned subsidiaries. Following the Reorganization, Arhaus, Inc. will be the indirect parent of Arhaus, LLC.
- "*Revolving Credit Facility*" refers to the $30.0 million revolving credit facility with Wingspire Capital LLC as administrative agent, and the lenders party thereto.
- "*Showroom*" refers to the retail locations in which we operate.

Presentation of our Financial Results

Except as disclosed in this prospectus, the consolidated financial statements and summary historical consolidated financial data included in this prospectus are those of Arhaus, LLC and its subsidiaries and do not give effect to the Reorganization.

Except as noted in this prospectus, the unaudited pro forma consolidated financial information of Arhaus, Inc. presented in this prospectus has been derived by the application of pro forma adjustments to the historical consolidated financial statements of Arhaus, LLC and its subsidiaries included elsewhere in this prospectus. These pro forma adjustments give effect to the Reorganization as described in "The Reorganization," including the consummation of this offering. The unaudited pro forma consolidated balance sheet as of June 30, 2021 assumes the transactions occurred on June 30, 2021. The unaudited pro forma consolidated statement of comprehensive income for the six months ended June 30, 2021 and for the year ended December 31, 2020 presents the pro forma effect of the Transactions as if they occurred on January 1, 2020. See "Unaudited Pro Forma Consolidated Financial Information" for a complete description of the adjustments and assumptions underlying the pro forma consolidated financial information included in this prospectus.

Certain monetary amounts, percentages, and other figures included in this prospectus have been subject to rounding adjustments. Percentage amounts included in this prospectus have not in all cases been calculated on the basis of such rounded figures, but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this prospectus may vary from those obtained by performing the same calculations using the figures in our consolidated financial statements included elsewhere in this prospectus. Certain other amounts that appear in this prospectus may not sum due to rounding.

Key Terms and Performance Indicators Used in this Prospectus; Non-GAAP Financial Measures

Throughout this prospectus, we use several key terms and provide several key performance indicators used by our management. These key performance indicators are discussed in more detail in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business." In addition, certain financial measures presented in this prospectus differ from what is required under U.S. generally accepted accounting principles, or GAAP. These non-GAAP financial measures include adjusted EBITDA, EBITDA, New Showroom contribution, New Showroom net revenue and merchandise revenue. These are measures of performance that are not required or presented in accordance with GAAP and are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. These measures should only be read together with the corresponding GAAP measures. A reconciliation of these non-GAAP financial measures are included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We define these non-GAAP financial measures as follows:

- *"adjusted EBITDA"* is defined as EBITDA further adjusted for incentive unit compensation expense, derivative expense and other expenses.

- *"EBITDA"* is defined as consolidated net income before depreciation and amortization, interest expense and state and local taxes.

- *"New Showroom contribution"* is income from operations before corporate general and administrative expenses, which we do not consider in our evaluation of the ongoing performance of our Showrooms from period to period as they are not directly attributable to Showroom performance. The calculation then deducts Other Showroom contributions for those Showrooms that were opened before January 1, 2016 and after December 31, 2018 as well as eCommerce contribution.

- *"New Showroom net revenue"* is net revenue less Other Showroom net revenue for those Showrooms that were opened before January 1, 2016 and after December 31, 2018 as well as eCommerce net revenue.

- *"merchandise revenue"* is defined as retail sales of merchandise from orders when delivered to a client which includes actual returns and exchanges and excludes delivery fees collected from our clients, private label credit card fees, other fees, rebates and reserves related to returns and discounts.

We define our key performance indicators as follows:

- "*average order values*" or "*AOVs*" is defined as demand divided by the number of orders.

- *"New Showroom average unit volumes"* or *"New Showroom AUV"* is defined as the average net revenue for new Showrooms and is calculated as New Showroom net revenue divided by the number of Showrooms opened after January 1, 2016 and before January 1, 2019. There were 13 Showrooms that met this criteria.

- *"comparable growth"* is defined as the year-over-year percentage change of merchandise revenue from our comparable Showrooms and eCommerce, including through our direct-mail catalog. This metric is used by management to evaluate Showroom merchandise revenue performance for locations that have been opened for at least 15 consecutive months, which enables management to view the performance of those Showrooms without new Showroom merchandise revenue included. Comparable Showrooms are defined as permanent Showrooms open for at least 15 consecutive months, including relocations in the same market. Showrooms record demand immediately upon

opening, while merchandise revenue takes additional time because product must be delivered to the client. Comparable Showrooms that were temporarily closed during the year due to COVID-19 were not excluded from the comparable Showroom calculation. Outlet comparable location merchandise revenue is included.

- *"demand comparable growth"* is defined as the year-over-year percentage change of demand from comparable Showrooms and eCommerce, including through our direct-mail catalog. This metric is used by management to evaluate Showroom demand performance for locations that have been opened for at least 13 consecutive months, which enables management to view the performance of those Showrooms without new Showroom demand included. Comparable Showrooms are defined as permanent Showrooms open for at least 13 consecutive months, including relocations in the same market. Comparable Showrooms that were temporarily closed during the year due to COVID-19 were not excluded from the comparable Showroom calculation. Outlet comparable location demand is included.

- *"demand"* is defined as the retail sales of merchandise measured at the time the order is placed by the client excluding delivery fees collected from our clients, private label credit card fees, other fees, rebates and reserves related to returns and discounts.

- *"eCommerce net revenue"* is defined as net revenue from our website and web orders team at the corporate office.

TRADEMARKS

This prospectus includes our trademarks and trade names such as Arhaus® and the Arhaus logo, which are protected under applicable intellectual property laws and are our property. This prospectus may also contain trademarks, trade names, and service marks of other companies, which are the property of their respective owners. Solely for convenience, trademarks, trade names, and service marks referred to in this prospectus may appear without the ®, ™, or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent permitted under applicable law, our rights or the right of the applicable licensor to these trademarks, trade names, and service marks. We do not intend our use or display of other parties' trademarks, trade names, or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

MARKET AND INDUSTRY DATA

This prospectus includes estimates regarding market and industry data that we prepared based on our management's estimates, together with information obtained from independent industry and research organizations, publicly available resources, studies commissioned by us and other third-party sources. Our management's estimates are derived from publicly available information released by independent industry analysts and certain third-party studies commissioned by us, as well as data from our internal research. In presenting market and industry data in this prospectus, we have made certain assumptions that we believe to be reasonable based on the data available to us and other sources, as well as on our knowledge of, and our experience to date in, the industry and markets in which we operate.

Statistics and estimates related to our total addressable market in the United States, as a whole and the various categories therein, and our market share within our total addressable market, are based on internal and third-party research, as well as our management's experience and their knowledge of the industry in which we operate. We have determined our total addressable market based on, among other things, our analysis of the historical market size of the U.S. residential furniture and décor market, our observation and analysis of recent trends, client behaviors and client satisfaction, our estimates and expectations concerning future growth of the U.S. residential furniture market, including expected growth of the premium furniture segment, as well as other information derived from third-party research commissioned by us.

Projections, assumptions and estimates of the present or future, as applicable, performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by our management.

LETTER FROM JOHN REED, FOUNDER AND CEO

I founded Arhaus in 1986 on a simple idea: Furniture should be responsibly sourced, lovingly made, and built to last.

In the 35 years since I opened that first Showroom in downtown Cleveland, my team and I have traveled the world, seeking inspiration, beautiful materials, and master artisans who use techniques as old as time. We partner with those artisans because they take the time to do things right, building heirloom-quality furniture and décor by hand with an authenticity that others in the industry simply can't match—no matter how hard they try.

Handcrafting the world's best furniture isn't easy—nor is building the company that sells it. We have spent the last three-and-a-half decades fostering relationships, ensuring that Arhaus and our partners can grow, thrive, and prosper together.

We believe in the theater of retail, and have designed our Showrooms—and more recently our digital experience—as centers of imagination and endless inspiration. Every detail is intentionally chosen and layered together beautifully, creating something new to discover every time you walk through our doors—which we hope you do. We want clients to immerse themselves in our furniture and décor—touching, feeling, and experiencing every artisan-crafted collection.

In a growing premium home furnishing space, Arhaus stands alone. We don't chase trends, believe in perfection, or push a singular, homogenous style. Instead, we celebrate natural beauty, embrace eclecticism, and encourage every client to curate their own unique style with furniture and décor that blends seamlessly into their lifestyle and home. We have never compromised when it comes to the quality, materials, and craftsmanship of our products, and I know our unwavering commitment shows in every piece.

We stand for livable luxury and are poised to continue revolutionizing the industry. With so many exciting possibilities on the horizon, I am thrilled to craft the future of furniture with you.

Sincerely,

John Reed

ARHAUS®

PROSPECTUS SUMMARY

This summary highlights certain significant aspects of our business and this offering. This is a summary of information contained elsewhere in this prospectus, is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire prospectus, including the information presented under the sections entitled "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus, before deciding whether to purchase our Class A common stock.

MISSION STATEMENT

We were founded in 1986 on a simple idea: furniture should be responsibly sourced, lovingly made and built to last. Today, we partner with artisans around the world who share our vision, creating beautiful, premium and heirloom-quality home furnishings that clients can use for generations.

COMPANY OVERVIEW

Arhaus is a rapidly growing lifestyle brand and omni-channel retailer of premium home furnishings. We offer a differentiated direct-to-consumer approach to furniture and décor, through which we sell artisan-quality products that embody our emphasis on livable luxury. Our products, designed to be used and enjoyed throughout the home, are sourced directly from factories and suppliers with no wholesale or dealer markup, allowing us to offer an exclusive assortment with an attractive value. We are a national omni-channel retailer with 75 Showrooms, including three Outlet stores, across 27 states and compete in the attractive premium home furnishings market, which we believe is the portion of the market with higher than industry average merchandise price points and quality.

Based on third-party reports and publicly available data, our management estimates the U.S. premium home furnishing market to be approximately $60 billion, with the potential to grow at a compounded annual growth rate, or CAGR, of approximately 10% between 2019 and 2024. Our business has witnessed strong performance over recent time periods with 10 consecutive quarters of positive comparable growth, from the fourth quarter of 2017 to the first quarter of 2020, leading up to the onset of the COVID-19 pandemic. Both demand comparable growth and comparable growth have been meaningful over the last three fiscal years. Demand comparable growth increased 82% in the six months ended June 30, 2021 as compared to a decrease of 4% in the six months ended June 30, 2020. Comparable growth increased 53% in the six months ended June 30, 2021 as compared to a decrease of 7% in the six months ended June 30, 2020. Demand comparable growth increased 25% and 4% in 2020 and 2019, respectively. Comparable growth increased 1% and 7% in 2020 and 2019, respectively. We believe our momentum, combined with our scale and powerful new Showroom and omni-channel economics, favorably positions us within the highly fragmented premium home furnishing market to profitably grow and increase market share.

We were founded in 1986 by John Reed, our current CEO, and his father in Cleveland, Ohio. Our unique concept is dedicated to bringing our clients heirloom quality, artisan-made furniture and décor while providing a dynamic and welcoming experience in our Showrooms and online with the belief that retail is theater. We have remained true to our founding principles of curating artisan quality and exclusive products by directly sourcing with minimal dealer or wholesale involvement. We have grown from a single Showroom in Cleveland, Ohio to an omni-channel retailer with 75 Showrooms nationally, supported by more than 1,400 employees. We are proud to have

built a best-in-class management team of 16 executives who, along with John, are dedicated to our founding principles of driving growth by creating responsibly sourced and long-lasting furniture and décor.

Our vertical model and deep network of direct sourcing relationships allow us to bring to market higher quality products at more competitive prices than both smaller, independent operators, as well as our larger competitors. Our direct sourcing network consists of more than 400 vendors, some of which we have had relationships with since our founding. Our product development teams work alongside our direct sourcing partners to bring to market proprietary, unique merchandise offering a strong value proposition to clients while delivering attractive margins. We reported gross margin as a percent of net revenue of 42% in the six months ended June 30, 2021 and 38% in the six months ended June 30, 2020, and 39% in fiscal year 2020 and 36% in fiscal year 2019.

At Arhaus, we deliver a truly distinctive concept based upon livable luxury, with artisan-crafted and globally curated products designed to be enjoyed in homes with children and pets. Our 75 theater-like Showrooms are highly inspirational and function as an invaluable brand awareness vehicle. Our seasoned sales associates provide valued insight and advice to our client base, driving significant client engagement. We offer an in-home designer services program, through which our in-home designers provide expert advice and assistance to our clients. As of June 30, 2021, we had 58 in-home designers with the expectation to reach 70 in-home designers by the end of 2021. These in-home designers partner with our in-Showroom design consultants to efficiently drive sales and since 2017 have produced AOVs over three times that of a standard order.

Our omni-channel model allows clients to begin or end their shopping experience online while also experiencing our theater-like Showrooms throughout the shopping process. This model provides a seamless experience, showcasing a broader assortment of product while driving our brand awareness.

Our net revenue was approximately $507.4 million in fiscal year 2020 and eCommerce net revenue represented approximately 18% of total net revenue for the fiscal year. Our net revenue was approximately $494.5 million in fiscal year 2019 and eCommerce net revenue represented approximately 11% of total net revenue for the fiscal year. eCommerce net revenue of our peers in the premium home furnishings market was approximately 43% of total net revenue for the fiscal year 2019, which is based on management estimates, third party estimates, publicly available industry data and internal research.

We believe there is significant whitespace to grow our omni-channel model across the United States. Based on our recently commissioned studies and surveys conducted on our behalf, we believe there is potential to more than double our current Showroom base to more than 165 locations in both new and existing markets. Illustrated by the success of our geographically diverse Showroom footprint, our omni-channel model has performed well in every region of the country, across retail formats and across market sizes. Historically, our top 10 Showrooms by net revenue have been located in 10 different states and our model has proven successful throughout a variety of markets and economic cycles. Currently, we expect to target opening between five and seven new stores per year for the foreseeable future, which indicates we could fulfill the whitespace potential within the next 15 years. However, the rate of future growth in any particular period is inherently uncertain and subject to many factors, some of which are outside our control. Driven by significant investment in our digital platform, we believe we can increase our eCommerce penetration, accelerating growth in our omni-channel model, by allowing clients to transact when, where and how they choose.

We are proud of the incredible loyalty of our client base and our significant financial momentum over the past several years. With our distinctive and sophisticated concept and growth strategies, we believe we are well-positioned to increase market share in a growing, highly fragmented marketplace.

STRONG OPERATING PERFORMANCE AND MOMENTUM

We have achieved strong growth in net revenue and profitability, as evidenced by the following achievements:

Comparison of the six months ended June 30, 2021 and June 30, 2020

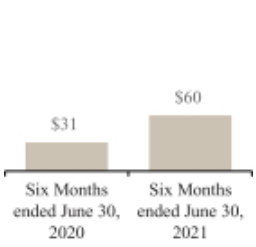
- Increased our net revenue to $355 million from $224 million, representing a growth rate of approximately 59%;
- Demand comparable growth increased approximately 82% versus a decrease of approximately 4%;
- Comparable growth increased approximately 53% versus a decrease of approximately 7%;
- Increased our gross margin as a percent of net revenue to 42% from 38%;
- Increased our net income to $16 million from $14 million, representing a growth rate of approximately 19%;
- Increased our adjusted EBITDA to $60 million from $31 million, representing a growth rate of 92%; and
- Increased our adjusted EBITDA as a percent of net revenue to 17% from 14%.

Net Revenue ($mm)

Gross Margin ($mm)

Net Income ($mm)

Adjusted EBITDA ($mm)(1)



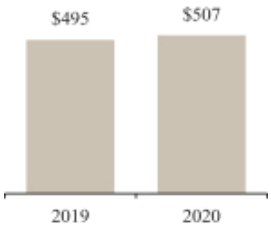
(1) For more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure calculated in accordance with GAAP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business."

Comparison of the fiscal year ended December 31, 2020 and December 31, 2019

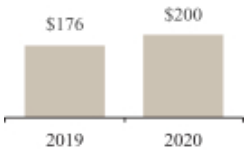
- Increased our net revenue to $507 million from $495 million, representing a growth rate of approximately 3%;
- Demand comparable growth increased approximately 25% and 4%, respectively;
- Comparable growth increased approximately 1% and 7%, respectively;
- Increased our gross margin as a percent of net revenue to 39% from 36%;
- Increased our net income to $18 million from $17 million, representing a growth rate of approximately 7%;

- Increased our adjusted EBITDA to $70 million from $50 million, representing a growth rate of 39%;
- Increased our adjusted EBITDA as a percent of net revenue to 14% from 10%; and
- Successfully opened five new Showrooms and relocated six Showrooms since 2019.

Net Revenue ($mm)



Gross Margin ($mm)



Net Income ($mm)

Adjusted EBITDA ($mm)(1)

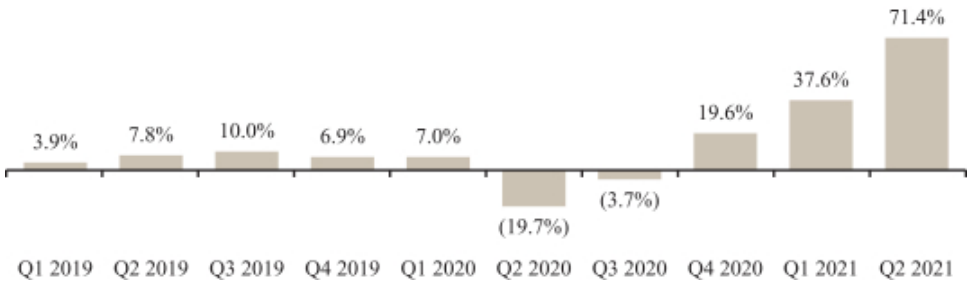
(1) For more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure calculated in accordance with GAAP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business."

Performance during 2020 and the COVID-19 Pandemic

In March 2020, the World Health Organization declared the disease caused by a novel strain of coronavirus or COVID-19, a global pandemic. In an effort to limit the spread of COVID-19, comply with public health guidelines and protect our employees, we temporarily closed all of our Showrooms in mid-March. Despite these challenges, our business has shown significant momentum since we reopened our Showrooms between May and June of 2020.

Due to a substantial expansion in client demand, our comparable growth was 20% in the fourth quarter of 2020. Comparable growth was approximately 1% for 2020 overall due to second and third quarter delays in client deliveries related to COVID-19. Demand comparable growth was approximately 25% in 2020 overall. Our long-standing direct sourcing partnerships were another significant contributor to our success, as they increased capacity to help facilitate sales during the significant shifts in consumer behavior that resulted in highly elevated demand. These relationships have been critical during periods of significant backlog across the global vendor community to help meet the unprecedented increase in consumer demand. As conditions normalize, we are excited to build on accelerating tailwinds and increased client demand. Going forward, we expect strong net revenue, which is recognized on a delivered basis, as the backlog unwinds.

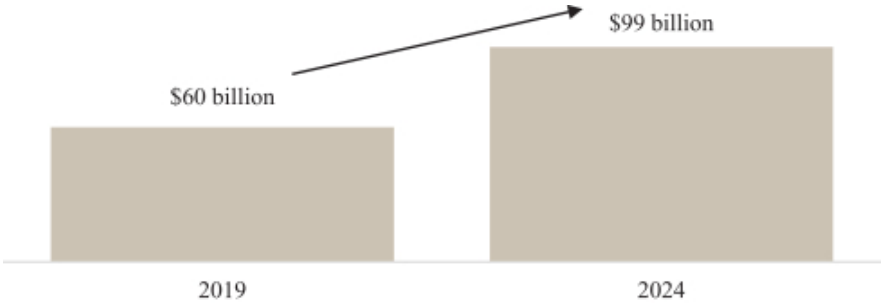
Quarterly Comparable Growth



OUR INDUSTRY AND MARKET OPPORTUNITY

We operate within the large, growing and highly fragmented approximately $340 billion U.S. home furnishings and décor market. We primarily compete in the premium segment within the U.S. home furnishings and décor market, which we currently estimate accounts for approximately $60 billion of the total market based on third-party estimates of retail sales in 2019, publicly available industry data and our internal research. We believe that the premium segment has a potential CAGR of approximately 10% between 2019 and 2024, nearly double that of the $340 billion U.S. home furnishings and décor market.

Forecasted Premium Furniture Segment Market Growth(1)



(1) Based on management estimates, third party estimates, publicly available industry data and internal research.

Highly Fragmented Market, Characterized by Many Independent Operators

The U.S. home furnishings and décor market is highly fragmented with approximately 23,600 retailing establishments nationwide according to Home Furnishings Business. The U.S. furnishing and décor market is highly fragmented and largely composed of smaller, independent operators, which we believe offers us an opportunity to grow our market share through our scale, resources and omni-channel presence. As a result of the COVID-19 pandemic, many home furnishings retailers were forced to close stores for significant periods of time, dramatically reducing revenue and profitability. In many instances, small independent operators suffered from permanent closures as they lacked the operational and financial resources available to larger businesses. Over our 35 year history, we have developed a direct global sourcing network consisting of over 400 vendors, which brings purchasing scale and enables us to effectively compete in the industry as we can provide a large breadth of unique, globally inspired products that resonate with our clients. Based on our estimates, our annual net revenue currently represents less than 1% of the approximately $60 billion premium segment, providing us with a substantial opportunity to benefit from market share gains in what has traditionally been a highly fragmented market and continue to grow our revenue.

Continued Growth of High-Income Households

Our client base is primarily comprised of households with incomes of $100,000 or greater, which we believe over index on premium furnishings and décor and represent approximately 80% of our clients. Over time, more and more households have met this income threshold in the United States, according to the U.S. Census Bureau, with the percentage of these high-earning units increasing by approximately 7.3% since 2009. We believe these households are a highly attractive demographic as they tend to be more insulated from economic downturns and, consequently, are well-positioned to return to normalized spending levels. As such, we continue to experience the benefits of accelerated housing turnover for homes worth over $1 million, which, according to

the National Association of Realtors, is growing by greater than 100% year-over-year as of May 2021, driven by increasing home prices and a rising equity market.

U.S. Households by Total Money Income (>$100K)

Source: U.S. Census Bureau (2020). Income and Poverty in the United States: 2019, Table A-2.

Increase in Suburbanization

Beginning in 2020, a large increase in suburbanization trends and a shift in households away from larger cities was observed in the United States. According to a Wall Street Journal analysis of U.S. Postal Service permanent change-of-address-data through 2020, net new suburban households from migration rose 43% in 2020 compared to 2019, as households moved to less-dense areas and into larger homes. This suburbanization trend was driven by wealthier city neighborhoods, which experienced the biggest population losses from migration. We believe this suburbanization trend will continue to provide meaningful tailwinds as these wealthier households move out of cities and into larger homes requiring more furniture and in-home designer services. Additionally, according to analysis by real estate firm Redfin, mortgage applications for second homes as of April 2021 have experienced 11 straight months of over 80% growth year-over-year, nearly double pre-pandemic levels. We believe this increased demand for vacation homes by affluent Americans will add to the meaningful tailwinds for the premium home furnishings industry.

Benefiting from Secular Trends

We believe we are well positioned to capitalize on favorable secular trends in the housing and home furnishing sectors given our highly experiential omni-channel model. Some of these ongoing trends include an increase in the work-from-home environment, expanding general home spend, rapid expansion in digital shopping and an increase in Millennials' spending power with a growing desire to purchase homes as they begin to start families. These dynamics present a unique and favorable opportunity for sustainable growth in our business.

COMPETITIVE STRENGTHS

A Differentiated Concept Delivering a Livable Luxury

We provide a unique and differentiated concept, redefining the premium home furnishing market by offering an attractive combination of design, quality, value and convenience. Artisan-crafted and globally curated, our products are highly differentiated from both small and large competitors, which we believe imparts inspirational sentiment to our clients. We create merchandise that offers a livable luxury style with elements of durability and practicality. We are welcoming to the entire family, including pets and children, providing us

access to a broader and deeper market than the ultra-luxury category. We service our clients through our unique Showrooms, eCommerce platform, catalogs and high-quality client service. In a market characterized by smaller, independent competitors, we believe our premium lifestyle positioning, superior quality, significant scale and level of convenience enable us to increase our market share.

Highly Experiential Omni-Channel Approach

We strive to offer our products to our clients via our omni-channel approach to meet clients in every avenue in which they shop. We operate our business in a truly channel agnostic way. Leveraging our proprietary data and technology, we are able to meet our clients wherever they want to shop, whether online, mobile or in one of our 75 Showrooms. Our product development and omni-channel go-to-market capabilities, together with our fully integrated infrastructure and significant scale, enable us to offer a compelling combination of design, quality and value that we believe provides an unmatched omni-channel experience.

Showroom. Our inspirational Showrooms, which average 17,000 square feet, act as an exceptionally strong brand-building tool and drive significant traffic. Our theater-like Showrooms provide clients with an unparalleled “wow” experience, conveying our livable luxury concept in a tangible format designed to showcase product. Our highly trained and creative visual managers walk the floors daily to determine new ways to visually optimize and maximize the appeal and inspirational nature of our Showrooms. In addition to these visual managers, we also employ enthusiastic and knowledgeable sales associates that fully engage our clients and provide expert service and advice.

eCommerce. Our online capabilities are a critical entry point into our ecosystem, providing research and discovery while our full suite omni-channel model allows clients to begin or complete transactions online. Our online design service professionals and virtual tools complement our eCommerce platform by engaging clients and providing them with expert design advice and capabilities in their preferred channel.

Catalog. We distribute two large catalogs each year, a January and a September edition, in both an online and physical format to millions of households, which has yielded strong results. In fiscal year 2020, we distributed catalogs to millions of households. Catalogs drive both Showroom and eCommerce net revenue as they raise brand awareness and showcase new merchandise.

In-home Designer Services. Our in-home designers, who work with clients in the Showroom and travel to our clients' residences, work in unison with our Showrooms and eCommerce platform to drive client conversion, order size and overall experience. Our in-home designer services provide a more personalized client experience relative to our eCommerce platform and since 2017 have produced AOVs over three times that of a standard order. We welcome all clients to use our complimentary designer services with no appointment required. Clients that engage with our in-home designer services program exhibit a significantly higher repurchase rate, with approximately 40% of those clients making five or more purchases throughout their client lifetime.

Strong Direct Global Sourcing Relationships

Our unique approach to product development enables us to gain market share, adapt our business to emerging trends and stay relevant with our clients. Our direct global sourcing relationships allow us to provide superior quality, differentiated customization and attractive value. We have long-standing relationships with our vendors which allow us a number of competitive advantages, including the ability to maintain consistent quality and ensure the majority of our products, approximately 95% of merchandise revenue in 2020, can only be purchased from Arhaus. Coupled with our direct global sourcing network, we maintain highly adept in-house product design and development experts that partner with our vendors to innovate and create highly customized offerings. Our experts venture the globe, searching for specific and inspiring aesthetics. Many of our products are originated and developed by our in-house design team as opposed to a third party. Our in-house design team is composed of a deep bench of over 20 highly skilled and experienced members. We continue to make significant investments in our product development capabilities, including recent key strategic hires. We believe these investments will allow us to enhance our competitive advantage of offering clients premium quality and customized product at a compelling value and ultimately drive sales growth.

In addition to furniture design, we have upholstery manufacturing capabilities. The sales of product from our manufacturing facility accounted for 40% of upholstery merchandise revenue and 16% of overall merchandise revenue in 2020. These capabilities allow us to create intricate, high quality products at attractive prices and margins. Our ability to innovate, curate and integrate products, categories, and services, then rapidly scale them across our fully integrated omni-channel infrastructure is a powerful platform for continued long-term growth. On average, approximately 50% of our merchandise revenue comes from U.S. vendors, providing

maximum dependability and flexibility. Our vertical model and direct sourcing furnish clients with superior quality products and compelling value at attractive profit margins. We reported gross margin as a percent of net revenue of 42% in the six months ended June 30, 2021 and 38% in the six months ended June 30, 2020, and 39% in fiscal year 2020 and 36% in fiscal year 2019.

Superior and Consistent Unit Economics

Our inspirational, theater-like Showrooms have generated robust unit-level financial results, strong free cash flow and attractive, rapid returns. We have been successful across all geographic regions we have entered and have proven to be resilient to competitive entrants. Our Showrooms have performed well in large and small markets, urban and suburban locations and across various Showroom formats and layouts. Our New Showroom AUV was approximately $5.5 million in 2020. Our AUVs are relatively consistent across the Northeast, West, Midwest and South regions and Showrooms are typically profitable within one year of opening. Income from operations was $31.2 million in 2020 and New Showroom contribution was $13.3 million in 2020. This includes depreciation expense of $3.7 million. Net revenue and New Showroom net revenue was $507.4 million and $71.4 million in 2020, respectively. Total capital expenditure per new Showroom opened in 2020 was approximately $0.3 million. Our net investment per new Showroom opened in 2020 was approximately $0.6 million, and includes leasehold improvements, inventory and pre-opening expense. Further, our fully integrated and seamless omni-channel experience facilitates significant uplift in our markets.

Passionate Founder-Led Culture and Leadership

We are a company founded on the simple idea that furniture and décor should be responsibly sourced, lovingly made and built to last. John Reed, along with his father, founded Arhaus in 1986 and currently serves as our CEO. Since our founding, John has led our business and has an unwavering and relentless long-term commitment to Arhaus. We are also led by an accomplished and experienced senior management team with significant public company experience and a proven track record within our industry.

Since our founding, our goal has been to help make the world a little greener and to honor nature in everything we do. We are deeply committed to giving back to our communities and partnering with organizations that share our worldview. Our partnerships range from long-standing relationships with global artisans who share our commitment to responsibly sourcing materials to charities whose missions align with our values and culture, including American Forests and the Small World. We view these partnerships as integral to our culture and take great pride in doing right by all of our stakeholders.

OUR GROWTH STRATEGIES

We believe there is a significant opportunity to drive sustainable growth and profitability by executing on the following strategies:

Increase Brand Awareness to Drive Sales

We will continue to increase our brand awareness through an omni-channel approach which includes the growth of our Showroom footprint, enhanced digital marketing, improvement in website features and analytics and continued assortment optimization:

Expand Showroom Footprint. Our Showrooms are a key component of our brand. We believe the expansion of our Showroom footprint will allow more clients to experience our inspirational Showroom and premium lifestyle concept, thereby increasing brand awareness and driving sales.

Enhance Digital Marketing Capabilities. Catalogs, mailings and social media engagement serve as important branding and advertising vehicles. Our omni-channel model contributes significantly to

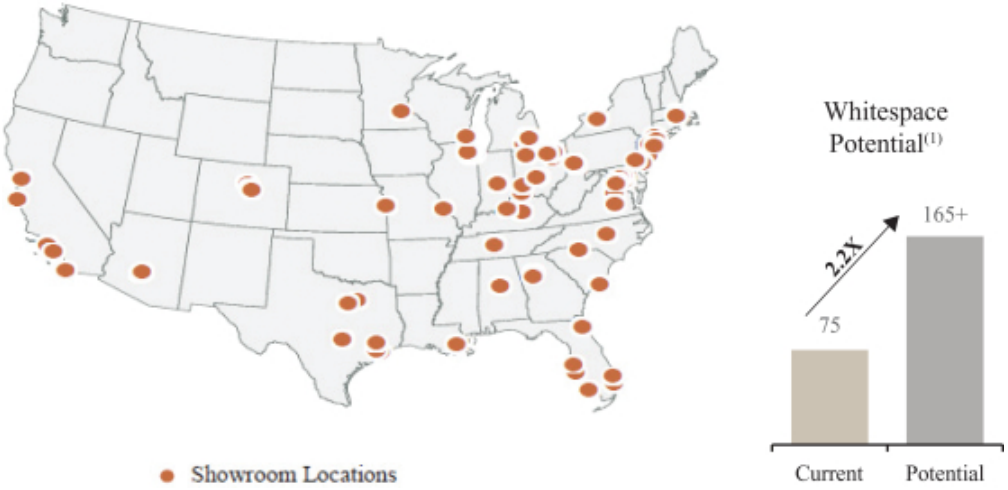
our brand awareness, evidenced by approximately 80% of our eCommerce merchandise revenue originating within 50 miles of a Showroom. We believe that our continued investment in brand marketing, data-led insights and effective consumer targeting will expand and strengthen our client reach.

Grow eCommerce Platform. eCommerce represents our fastest growing sales channel, with net revenue increasing by 64% in fiscal year 2020 compared to fiscal year 2019. We believe recent growth is related to consumers shifting their transaction type to an online format as a result of COVID-19, our strong product assortment, enhanced marketing efforts, and improved brand awareness. We believe our digital platform provides clients with a convenient and accessible way to interact with our brand and full product assortment. Our eCommerce platform provides convenience to our clients, enabling them to shop anywhere at any time and begin or complete transactions online. Our website is core to our omni-channel model and helps drive Showroom traffic, which ultimately results in robust client conversion. Furthermore, our eCommerce platform increases client engagement and streamlines product feedback.

Optimize Product Assortment. We continue building the right product assortment to attract new clients and encourage repeat purchases from existing clients. As of December 31, 2020, we offered approximately 6,600 stock SKUs and over 41,000 special order SKUs across indoor and outdoor furniture and home décor. We plan to expand our product offering across selected categories to provide a more fulsome portfolio that meets client needs. Additionally, we continue to refine our existing product offering by evolving designs, materials, fabrics and colors to capture constantly evolving trends.

Expand Our Showroom Base and Capture Market Share

We operated 75 Showrooms in 27 states as of June 30, 2021. We have a Showroom presence in all four major geographic regions and our top 10 Showrooms by net revenue are located in 10 different states. We have a significant opportunity to grow density both in existing and new markets. We have built out a comprehensive and sophisticated infrastructure which we believe can support approximately 90 incremental Showrooms in over 40 new Metropolitan Statistical Areas, or MSAs, across the United States, 10 of which are currently in our pipeline. Currently, we are targeting between five and seven new Showroom openings and three to four relocations in 2022. We believe that we can achieve these figures given our proven history of opening new Showrooms and clear visibility into our new unit pipeline.



(1) Based on Management's analysis of the historical market size of the U.S. residential furniture and décor market and Management's estimates of future growth of U.S. residential furniture market, as well as other information derived from third-party research commissioned by us.

We employ a data-driven, thorough process to select and develop new Showroom locations. In selecting new locations, we combine data on specific market characteristics, demographics, client penetration and growth, considering the brand impact and opportunity of specific sites.

In addition to our current Showroom model, we are currently testing a Design Studio format (approximately 4,000 sq. ft.) that carries a highly curated product selection in smaller, yet attractive, markets. With the potential for over 165 Showrooms across the country and incremental opportunity to further expand our footprint with our Design Studio format, we believe we have a meaningful runway for Showroom growth over the 15 years if we continue with our current Showroom expansion plans to open five to seven new Showrooms per year.

Enhance Omni-Channel Capabilities to Drive Growth

Our omni-channel approach begins in our visually captivating, theater-like Showrooms. We found that as Showrooms open in new markets, we experience significant growth in our eCommerce business and overall client engagement. Our unit growth strategy is highly complementary to our digital eCommerce platform. Our Showrooms drive brand awareness and create meaningful marketing buzz and volume uplift when we open in new markets.

To further strengthen client engagement and increase client interactions, we have expanded our in-home designer capacity as well as our online designer program. Similar in concept to our in-home program, our online platform provides clients with expert service and advice from our leading in-home design professionals via online video chat features as well as virtual design capabilities. We believe bolstering this component of the client experience will drive higher client satisfaction, and ultimately result in larger total company AOV over time.

In 2020, our eCommerce business experienced 64% growth based on net revenue in an online-driven environment, but we believe we can grow our eCommerce business even further due to the investments we are making today and the opportunity that lies ahead. To further bolster our omni-channel capabilities, we plan to launch a new website in the fourth quarter of 2021 to enhance our virtual Showroom experience. We recognize that clients want the option to shop online while having the tools to make smart decisions. We see great promise in virtual shopping tools as they not only make the shopping process more interactive and enable our clients to visualize our products in their homes, but also boost conversion rates and drive incremental traffic.

Deepen Client Relationships Through Technology

We believe there is an opportunity to improve client engagement, meeting clients when, where and how they want to shop. Clients increasingly engage with us through digital methods including our website and social media. In 2018, we had approximately 11 million online visitors. Website visitors grew approximately 67% in 2020 versus 2019 to over 20 million visits. We also doubled our Instagram following each year from 2018 to 2020 and currently have over one million followers. To capitalize on these trends and continue increasing our client base, we are heavily investing in data analytics to improve the client journey from the moment clients start browsing online or enter our Showrooms. Developing this capability will allow us to target clients with personalized digital offerings to increase online conversion and client lifetime value. We are also investing in Showroom technology, including the installation of touch screen TVs and other A/R tools to enhance the client experience. The preliminary data from our new Design Studio format, which leverages these state-of-the-art platforms, indicates overwhelming positive receptivity from our client-base as the new format is outperforming our expectations. We see tremendous growth potential across our digital platform and omni-channel experience by increasing our ability to make data-driven decisions and maintaining a comprehensive focus on the client journey, and will continue to innovate and invest in value-added technological capabilities.

Leverage Investments to Enhance Margins

We have the opportunity to further enhance operating margins by continuing to focus on our distribution efficiency and manufacturing capacity.

Enhanced Distribution Efficiency and Capacity. We have made and will continue to make substantial investments in our infrastructure including our distribution network, IT capabilities and corporate office, which improves operational efficiency and readies our platform for the next stage of growth. Our existing distribution center and corporate office in Ohio will be expanded by approximately 230,000 square feet. Our new North Carolina facility will contain approximately 310,000 square feet of distribution center. Furthermore, we are contemplating an additional distribution center to help streamline shipping times and further support our rapidly growing demand.

Increasing Domestic Manufacturing Capacity. Our new North Carolina facility, expected to open in late 2021, will double our in-house product manufacturing capacity, increasing facility square footage from 150,000 to 190,000.

Recent Developments

Preliminary Results for the Three Months Ended September 30, 2021

Our results for the three months ended September 30, 2021 are not yet available and will not be available until after the completion of this offering. Below we have presented preliminary estimated ranges of certain of our financial results for the three months ended September 30, 2021, based solely on preliminary information currently available to management. We have not yet completed our closing procedures for the three months ended September 30, 2021. The preliminary estimated ranges of certain of our financial results set forth below have been prepared by, and are the responsibility of, management and are based on a number of assumptions. PricewaterhouseCoopers LLP has not audited, reviewed, compiled, or applied agreed-upon procedures with respect to our results for the three months ended September 30, 2021 and 2020. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. Our actual results may differ materially from these estimates due to the completion of our financial closing procedures, final adjustments and other developments that may arise between now and the time the financial results for our interim period are finalized. You should not place undue reliance on these preliminary estimates. The information presented herein should not be considered a substitute for the financial information to be filed with the SEC in our Quarterly Report on Form 10-Q as of September 30, 2021 once it becomes available. In addition, the preliminary estimated financial results set forth below are not necessarily indicative of results we may achieve in any future period. See “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Cautionary Note Regarding Forward-Looking Statements” for additional information regarding factors that could result in differences between the preliminary estimated ranges of certain of our financial results that are presented below and the actual financial results we will report.

The following are our preliminary estimates for the three months ended September 30, 2021:

- Net revenues are expected to be between $ and $, an of % at the midpoint of this range, as compared to $ for the three months ended September 30, 2020. The estimated in net revenues compared to the corresponding period in 2020 is primarily due to .
- Net income is expected to be between $ and $, an of % at the midpoint of this range, as compared to net income of $ for the three months ended September 30, 2020. The estimated in net income compared to the corresponding period in 2020 is primarily due to .
- EBITDA is expected to be between $ and $, an of % at the midpoint of this range, as compared to EBITDA of $ for the three months ended September 30, 2020. The estimated in EBITDA compared to the corresponding period in 2020 is primarily due to .

- Adjusted EBITDA is expected to be between $ and $, an of % at the midpoint of this range, as compared to $ for the three months ended September 30, 2020. The estimated in Adjusted EBITDA compared to the corresponding period in 2020 is primarily due to .

- Demand comparable growth is expected to be between % and %, an of % at the midpoint of this range, as compared to demand comparable growth of % for the three months ended September 30, 2020. The estimated in demand comparable growth compared to the corresponding period in 2020 is primarily due to .

- Comparable growth is expected to be between % and %, an of % at the midpoint of this range, as compared to comparable growth of % for the three months ended September 30, 2020. The estimated in comparable growth compared to the corresponding period in 2020 is primarily due to .

See below for a reconciliation of Adjusted EBITDA to the most directly comparable measure calculated in accordance with GAAP, net income (loss).

(a) [●]

(b) [●]

We include Adjusted EBITDA in this prospectus for the reasons as described in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business.” Adjusted EBITDA has certain limitations in that it does not reflect all expense items that affect our results. These and other limitations are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business.” We encourage you to review our financial information in its entirety and not rely on a single financial measure.

We have provided a range for the preliminary results described above primarily because our financial closing procedures for the three months ended September 30, 2021 are not yet complete. As a result, there is a possibility that our final results will vary materially from these preliminary estimates. We currently expect that our final results will be within the ranges described above. It is possible, however, that our final results will not be within the ranges we currently estimate. We undertake no obligation to update or supplement the information provided above until we release our results of operation for the three months ended September 30, 2021 and 2020. PricewaterhouseCoopers LLP has not audited, reviewed, compiled, or applied agreed-upon procedures with respect to our results for the three months ended September 30, 2021 and 2020. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

SUMMARY RISK FACTORS

Participating in this offering involves substantial risk. Our ability to execute our strategy is also subject to certain risks. The risks described under the heading “Risk Factors” immediately following this summary may cause us not to realize the full benefits of our strengths or may cause us to be unable to successfully execute all or part of our strategy. Some of the most significant challenges and risks we face include the following:

- risks associated with the incurrence of operating losses in the future or failure to achieve or maintain profitability in the future;

- fluctuations in the growth rate of our business and our high rates of growth in terms of revenue, earnings and margins, which may not be sustained in future periods;

- risks associated with the interruption of supply and increased costs as a result of our reliance on third-party transportation carriers for shipment of our products;
- disruption in our receiving and distribution system or increased costs as a result of the anticipated opening of our distribution and manufacturing center in North Carolina;
- our ability to purchase quality merchandise in sufficient quantities at competitive prices, including products that are produced by artisan vendors;
- increased commodity prices or increased freight and transportation costs;
- import and other international risks as a result of our reliance on foreign manufacturers and vendors to supply a significant portion of our merchandise;
- our ability to timely and effectively deliver merchandise to our clients and manage our supply chain;
- risks posed by the COVID-19 pandemic or should another or similar outbreak of an infectious disease occur;
- changes in general economic conditions, including the health of the high-end housing market, and the resulting impact on consumer confidence and consumer spending; and
- the dual class structure of our common stock, which has the effect of concentrating voting power with our Founder and the Founder Family Trusts, which could give our Founder and the Founder Family Trusts substantial control over us after the consummation of this offering, including over matters that require the approval of stockholders, and their interests may conflict with ours or yours.

THE REORGANIZATION

We are undertaking a series of transactions that will be completed prior to the consummation of this offering, which we refer to, collectively, as the Reorganization. Arhaus, Inc., a Delaware corporation, was formed in connection with this offering, and is the issuer of the Class A common stock offered in this prospectus. All of our business operations are conducted through Arhaus LLC and its wholly owned subsidiaries. Following the Reorganization, Arhaus, Inc. will be the indirect parent of Arhaus, LLC and the individuals who currently serve as directors and officers of Arhaus, LLC will continue to serve as directors and executive officers of Arhaus, Inc. pursuant to the Reorganization. These transactions include:

- the amendment and restatement of our certificate of incorporation, among other things, to authorize two classes of common stock, Class A common stock and Class B common stock, each having the terms and rights described in “Description of Capital Stock”; and
- our acquisition of the units of Arhaus, LLC, currently held by the current investors in Arhaus, LLC, pursuant to the mergers and exchange described in “The Reorganization,” and the issuance in those transactions of Class A common stock to the holders of Arhaus Holding and the Management Unitholders and Class B common stock to our Founder and the Founder Family Trusts.

As a result of the Reorganization and after giving effect to the consummation of this offering and the use of proceeds therefrom as described herein:

- the investors in this offering will collectively own % of the outstanding shares of Class A common stock, representing % of the voting power in Arhaus, Inc. (or %

and % , respectively, if the underwriters exercise in full their option to purchase additional shares of Class A common stock);

- the former holders of Arhaus Holding will collectively own % of the outstanding shares of Class A common stock, representing % of the voting power in Arhaus, Inc. (or % and %, respectively, if the underwriters exercise in full their option to purchase additional shares of Class A common stock); and

- our Founder and the Founder Family Trusts will hold all of the shares of Class B common stock that will be outstanding upon consummation of this offering, and will have % and %, respectively, of the voting power in Arhaus, Inc. (or % and %, respectively, if the underwriters exercise in full their option to purchase additional shares of Class A common stock).

CORPORATE INFORMATION

We were initially formed on July 14, 2021 as a Delaware corporation. Upon completion of this offering and the consummation of the Reorganization, we will become the parent company of Arhaus, LLC. See "The Reorganization." Our corporate headquarters are located at 51 E. Hines Hill Road, Boston Heights, Ohio 44236. Our telephone number is (440) 439-7700. Our principal website address is www.arhaus.com. We have included our website address in this prospectus as an inactive textual reference only. The information contained on, or that may be obtained through, our website is not part of, and is not incorporated into, this prospectus.

PRE-IPO DISTRIBUTION

Prior to the closing of this offering, we will make a cash distribution of approximately $100 million to unitholders of Arhaus, LLC, which we refer to as the Pre-IPO Distribution.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of certain reduced reporting and other requirements that are otherwise generally applicable to public companies. As a result:

- we are required to have only two years of audited financial statements and only two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosure;

- we are not required to engage an auditor to report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;

- we are not required to comply with the requirement of the Public Company Accounting Oversight Board, or PCAOB, regarding the communication of critical audit matters in the auditor's report on the financial statements;

- we are not required to submit certain executive compensation matters to stockholder advisory votes, such as "say-on-pay," "say-on-frequency" and "say-on-golden parachutes;" and

- we are not required to comply with certain disclosure requirements related to executive compensation, such as the requirement to present a comparison of our Chief Executive Officer's compensation to our median employee compensation.

We may take advantage of these reduced reporting and other requirements until the last day of our fiscal year following the fifth anniversary of the completion of this offering, or such earlier time that we are no longer an emerging growth company, including if we have more than $1.07 billion in annual revenue, have more than $700 million in market value of our Class A common stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced burdens. We have elected to adopt the reduced requirements with respect to our financial statements and the related selected financial data and "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure, included in this prospectus.

In addition, the JOBS Act permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to use this extended transition period. As a result, the information that we provide to stockholders may be different than the information you may receive from other public companies in which you hold equity.

THIS OFFERING

Issuer	Arhaus, Inc.
Class A common stock offered by us	shares.
Class A common stock offered by the selling stockholders	shares.
Underwriters' option to purchase additional shares of Class A common stock	The underwriters have an option to purchase up to additional shares of Class A common stock from the selling stockholders at the initial public offering price, less underwriting discounts and commissions. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Class A common stock to be outstanding after this offering	shares.
Class B common stock to be outstanding after this offering	shares.
Class A and Class B common stock to be outstanding after this offering	shares.
Use of Proceeds	We estimate that the net proceeds from this offering will be approximately $, assuming a public offering price of $ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, and after deducting underwriters' discounts and commissions in connection with this offering. The selling stockholders will receive all of the net proceeds and bear the underwriting discount, if any, attributable to their sale of our Class A common stock. We intend to use the net proceeds to us from this offering (i) to pay the term loan exit fee of approximately $ million in connection with the repayment of our term loan on December 28, 2020 and (ii) for general corporate purposes, including payment of fees and expenses in connection with this offering and to replenish working capital following the payment of the Pre-IPO Distribution to Arhaus, LLC unitholders. See "—Pre-IPO Distribution," "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financing Transactions" for additional information. We intend to use the net proceeds to us from this offering (i) to pay fees and expenses of approximately $ million in connection with this offering and (ii) for general corporate purposes, including working capital and operating expenses. See "Use of Proceeds" for additional information.

Voting Rights	Following this offering, we will have two class of common stock: Class A common stock and Class B common stock. Class A common stock will be entitled to one vote per share and Class B common stock will be entitled to ten votes per share. Each share of Class B common stock will automatically convert into one share of Class A common stock upon any sale or transfer thereof, subject to certain exceptions. In addition, all shares of Class B common stock will automatically convert into shares of Class A common stock in certain circumstances, including the earliest to occur of (i) twelve months after the death or incapacity of our Founder, and (ii) the date upon which the then outstanding shares of Class B common stock first represent less than 10% of the voting power of the then outstanding shares of Class A common stock and Class B common stock. Holders of Class A common stock and Class B common stock will generally vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation that will be in effect upon the completion of this offering. The holders of our outstanding Class B common stock will hold approximately % of the voting power of our outstanding capital stock following this offering (or % of the voting power of our outstanding capital stock following this offering if the underwriters exercise their option in full to purchase additional shares of Class A common stock cover over-allotments) and will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change in control transaction. See the sections titled “Security Ownership of Certain Beneficial Owners and Management” and “Description of Capital Stock” for additional information.
Dividend Policy	We currently intend to retain any future earnings and do not expect to pay any dividends on our Class A common stock or Class B common stock in the foreseeable future. See “Dividend Policy.”
Risk Factors	Investing in shares of our Class A common stock involves a high degree of risk. For a discussion of factors you should carefully consider before investing in shares of our Class A common stock, see “Risk Factors” beginning on page 22 of this prospectus.
Controlled Company Exception	Upon completion of this offering, we will be a “controlled company” within the meaning of the corporate governance rules of Nasdaq.
Trading Symbol	We have applied to list our Class A common stock on Nasdaq under the symbol “ARHS ”

The number of shares of common stock that will be outstanding after this offering is based on shares of Class A common stock and shares of Class B common stock outstanding as of , 2021 after giving effect to the exchange of units of Arhaus, LLC pursuant to the Reorganization and excludes:

- shares of Class A common stock reserved for future issuance under our 2021 Equity Incentive Plan; and

- shares of Class A common stock that will be restricted subject to time-based vesting.

Unless otherwise expressly stated, or the context requires otherwise, all information in this prospectus assumes:

- the Reorganization will occur immediately prior to the completion of this offering;
- the filing of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering; and
- no exercise of the underwriters' options to purchase up to an additional shares of Class A common stock to cover over-allotments.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables present our summary historical consolidated financial and operating data as of the dates and for the periods indicated. The summary historical consolidated financial data as of December 31, 2020 and December 31, 2019 and for the fiscal years ended December 31, 2020 and December 31, 2019 were derived from the consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data as of June 30, 2021 and June 30, 2020 and for the six months ended June 30, 2021 and June 30, 2020 were derived from the unaudited condensed consolidated financial statements included elsewhere in this prospectus.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read the summary historical consolidated financial data presented with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Six Months Ended		Fiscal Year Ended	
	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019
	(in thousands, except unit and per unit data)		*(in thousands, except unit and per unit data)*	
Consolidated Statements of Comprehensive Income:				
Net revenue	$ 355,357	$ 224,105	$ 507,429	$ 494,538
Costs of good sold	207,188	139,528	307,925	318,550
Gross margin	148,169	84,577	199,504	175,988
Selling, general and administrative expenses	128,075	64,158	168,340	146,052
Income from operations	20,094	20,419	31,164	29,936
Interest expense	2,679	6,601	12,555	12,916
Loss on sales of assets	14	—	8	23
Income before taxes	17,401	13,818	18,601	16,997
State and local taxes	1,204	169	764	365
Net and comprehensive income	$ 16,197	$ 13,649	$ 17,837	$ 16,632
Net and comprehensive income attributable to the unit holders	$ 16,197	$ 10,744	$ 12,144	$ 11,610
Net and comprehensive income per unit				
Basic and diluted	$ 0.57	$ 0.38	$ 0.43	$ 0.41
Weighted-average number of units				
Basic and diluted	28,426,513	28,426,513	28,426,513	28,426,513
Other financial and operating data:				
EBITDA(1)	28,989	28,857	48,113	45,877
Adjusted EBITDA(2)	59,839	31,223	69,696	50,162
Capital expenditures	13,691	10,145	13,011	9,878
Comparable growth(3)	53.1%	(7.2%)	0.9%	7.2%
Demand comparable growth(4)	82.0%	(3.6%)	24.7%	4.0%
Consolidated Balance Sheets (as of end of period):				
Cash and cash equivalents	$ 132,945		$ 50,739	$ 12,389
Restricted cash equivalents	6,219		6,909	6,170
Total assets	426,785		315,944	268,911
Current portion of capital lease obligation	231		—	—
Current portion of long-term debt	—		—	15,220
Long-term debt, net of current maturities	—		—	22,162
Capital lease obligation, net of current portion	47,801		47,600	47,210
Total members' deficit	(34,940)		(36,091)	(33,380)
Consolidated Statements of Cash Flows:				
Net cash provided by operating activities	$ 110,807	$ 62,545	$ 150,435	$ 21,904
Net cash used in investing activities	(13,691)	(10,145)	(13,011)	(9,866)
Net cash used in financing activities	(15,600)	(320)	(98,335)	(17,605)
Net increase (decrease) in cash, and cash equivalents and restricted cash equivalents	81,516	52,080	39,089	(5,567)
Cash, and cash equivalents and restricted cash equivalents	139,164	70,639	57,648	18,559

(1) "*EBITDA*" is defined as consolidated net income before depreciation and amortization, interest expense and state and local taxes.

(2) "*Adjusted EBITDA*" is defined as EBITDA further adjusted for incentive unit compensation expense, derivative expense and other expenses.

(3) *"Comparable growth"* is defined as the year-over-year percentage change of merchandise revenue from our comparable Showrooms and eCommerce, including through our direct-mail catalog. Comparable Showrooms are defined as permanent Showrooms open at least 15 consecutive months, including relocations in the same market. Showrooms record demand immediately upon opening, while merchandise revenue takes additional time because product must be delivered to the client. Comparable Showrooms that were temporarily closed during the year due to COVID-19 were not excluded from the comparable Showroom calculation. Outlet comparable location merchandise revenue is included.

(4) *"Demand comparable growth"* is defined as the year-over-year percentage change of demand from comparable Showrooms and eCommerce, including through our direct-mail catalog. Comparable Showrooms are defined as permanent Showrooms open for at least 13 consecutive months, including relocations in the same market. Comparable Showrooms that were temporarily closed during the year due to COVID-19 were not excluded from the comparable Showroom calculation. Outlet comparable location demand is included.

The following is a reconciliation of our net income to adjusted EBITDA for the periods presented:

	Six Months Ended		Fiscal Year Ended	
(In thousands)	**June 30, 2021**	**June 30, 2020**	**December 31, 2020**	**December 31, 2019**
Net income	$ 16,197	$ 13,649	$ 17,837	$ 16,632
Interest expense	2,679	6,601	12,555	12,916
State and local taxes	1,204	169	764	365
Depreciation and amortization	8,909	8,438	16,957	15,964
EBITDA	28,989	28,857	48,113	45,877
Incentive unit compensation expense	427	250	403	272
Derivative expense(5)	29,805	333	17,928	—
Other expenses(6)	618	1,783	3,252	4,013
Adjusted EBITDA	$ 59,839	$ 31,223	$ 69,696	$ 50,162

(5) We repaid our term loan in full on December 28, 2020. The derivative expense relates to the change in the fair value of the exit fee at the end of each reporting period. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financing Transactions."

(6) Other expenses represent costs and investments not indicative of ongoing business performance, such as third-party consulting costs, one-time project start-up costs, one-time costs related to the IPO, severance, signing, recruiting and project-based strategic initiatives.

RISK FACTORS

Investing in our Class A common stock involves risks. Before deciding to invest in our Class A common stock, you should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and the related notes. The occurrence of any of the events described below could harm our business, operating results and financial condition. In such an event, the market price of our Class A common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business, operating results and financial condition. See "Cautionary Note Regarding Forward-Looking Statements."

Risks Related to Our Business and Industry

We may incur operating losses in the future, and may not achieve or maintain profitability in the future.

We may incur operating losses in the future. We expect our operating expenses to increase in the future as we continue to expand our operating and retail infrastructure, including adding new Showrooms, increasing sales and marketing efforts, growing our eCommerce platform, enhancing our omni-channel capabilities, expanding into new geographies, developing new products, and in connection with legal, accounting, and other expenses related to operating as a new public company. These efforts and additional expenses may be more costly than we expect, and we cannot guarantee that we will be able to increase our net revenue to offset our operating expenses. Our net revenue growth may slow or our net revenue may decline for a number of other reasons, including reduced demand for our products, increased competition, a decrease in the growth or reduction in size of our overall market, the impacts to our business from the COVID-19 pandemic, or if we cannot capitalize on growth opportunities. If our revenue does not grow at a greater rate than our operating expenses, we will not be able to maintain profitability.

We have experienced fluctuations in the growth rate of our business and our high rates of growth in terms of revenue, earnings and margins may not be sustained in future time periods.

Historically we have experienced fluctuations in the quarterly growth rate of our business, including during the fiscal year ended December 31, 2020. We may continue to experience fluctuations in our quarterly growth rate and financial performance. Our quarterly results of operations during the fiscal year ended December 31, 2020 were affected by a variety of factors related to the overall operating environment, most notably the impact of the COVID-19 pandemic. We are currently engaged in a number of initiatives to support the growth of our business which may result in costs and delays which may negatively affect our gross margin in the short term and may amplify fluctuations in our growth rate from quarter to quarter depending on the timing and extent of the realization of the costs and benefits of such initiatives.

Some factors affecting our business, including macroeconomic conditions and policies and changes in legislation, are not within our control. In prior periods, our results of operations have been adversely affected by weakness in the overall economic environment such as the initial periods of significant economic uncertainty and reduced economic activity as a result of the COVID-19 pandemic as well as slowdowns in the housing market. In addition, our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence consumer spending, including, among other things, the general state of the economy, capital and credit markets, consumer confidence, general business conditions, the availability and cost of consumer credit, the level of consumer debt, interest rates, level of taxes affecting consumers, housing prices, new construction and other activity in the housing sector and the state of the mortgage industry and other aspects of consumer credit tied to housing, including the availability and pricing of mortgage refinancing and home equity lines of credit. In particular, our business performance is linked to the overall strength of luxury consumer spending in markets in which we operate. Economic conditions affecting selected markets in which we operate are expected to have an impact on the strength of our business in those local markets, including with respect to

the volatility in consumer demand and sentiment as the COVID-19 pandemic continues to evolve. Our business trends are frequently correlated closely with conditions in financial markets including the stock market. The global economic environment is currently in a period of widespread uncertainty as governments and central banks continue to respond to the impact of COVID-19 on business conditions. In the event that equity and credit markets experience volatility and disruption, consumer demand for our product and our results of operations may be adversely affected.

In addition, our rates of revenue growth have fluctuated from quarter to quarter over the last two years and we expect volatility in the rates of our growth to continue in future quarterly periods. Unique factors in any given quarter may affect period-to-period comparisons in our revenue growth, including:

- the overall economic and general retail sales environment, including the effects of uncertainty relating to the COVID-19 pandemic or its related impacts on consumer spending;
- the availability of our products and the impact of delays or disruption in our supply chain;
- consumer preferences and demand;
- the number, size and location of the Showrooms we open, close, remodel or expand in any period;
- our ability to efficiently source and distribute products;
- changes in our product offerings and the introduction, and timing thereof, of introduction of new products and new product categories;
- promotional events;
- our competitors introducing similar products or merchandise formats;
- the distribution of our January and September catalogs each year;
- the timing of various holidays, including holidays with potentially heavy retail impact; and
- the success of our marketing programs.

Due to these factors, our results for any quarter are not necessarily indicative of the results that we may achieve for a full fiscal year. Our results of operations may also vary relative to corresponding periods in prior years. We may take certain pricing, merchandising or marketing actions that could have a disproportionate effect on our business, financial condition and results of operations in a particular quarter or selling season, and as a result we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and cannot be relied upon as indicators of future performance.

We are exposed to risks associated with the interruption of supply and increased costs as a result of our reliance on third-party transportation carriers for shipment of our products.

We rely upon, and have contracts with, third-party carriers to transport products from our vendors and to our distribution center, third-party warehouses and Showrooms for delivery to our clients. As a result of our dependence on third-party providers, we are subject to risks, including labor disputes, union organizing activity, adverse weather, natural disasters, climate change, the closure of our carriers' offices or a reduction in operational hours due to an economic slowdown or the inability to sufficiently ramp up operational hours during an economic recovery or upturn, availability of adequate trucking or railway providers, possible acts of terrorism, outbreaks of disease (such as the COVID-19 pandemic) or other factors affecting such carriers' ability to provide

delivery services and meet our shipping needs, disruptions or increased fuel costs and costs associated with any regulations to address climate change. Due to the outbreak of the COVID-19 pandemic, our third-party providers have experienced transportation disruptions and restrictions, labor shortages, vessel schedule changes, congestion and delays at ports, and a shortage of shipping containers needed to ship our products, which has adversely impacted our inventory levels and resulted in a high number of client backorders. Failure to deliver merchandise in a timely and effective manner could cause clients to cancel their orders and could damage our brand and reputation, which could have a material adverse effect on our business, financial condition, operating results and prospects. Our reputation for providing a high level of client service is dependent on such third-party transportation providers delivering our product shipments in a timely manner. Further, in the event of delays by a third-party carrier, we may have to transition to a different third-party carrier, and such transition can take months to effectuate. In addition, fuel costs have been volatile, and transportation companies continue to struggle to operate profitably, which could lead to increased fulfillment expenses. Any rise in fulfillment expenses could negatively affect our business and operating results.

Disruption in our receiving and distribution system or increased costs as a result of the anticipated opening of our distribution and manufacturing center in North Carolina could adversely affect our business.

We currently anticipate opening our second distribution center in the fourth quarter of 2021 at a new facility located in North Carolina, which we expect to be fully operational in 2022. We may not accurately anticipate all of the changing demands that our expanding operations will impose on our receiving and distribution system. We also may not realize all of the expected benefits of increased capacity from the opening of the second distribution center in North Carolina, and we may experience increased costs in connection with the opening of our new distribution center that we have not previously considered.

Any disruptions in our receiving and distribution system or increased costs as a result of opening our second distribution center in North Carolina could have a material adverse effect on our reputation, business, financial condition, and results of operations.

We depend on our ability to purchase quality merchandise in sufficient quantities at competitive prices, including products that are produced by specialty and artisan vendors. Any disruptions we experience in our ability to obtain quality products in a timely fashion or in the quantities required could have a material adverse effect on our reputation, business, results of operations and financial performance.

Our business model includes offering exclusively designed, high-quality products, and we purchase the vast majority of our merchandise from a number of third-party vendors. Although we do not rely on one or a small group of vendors for a majority of our products, and we have longstanding relationships with many of our vendors, some vendors are the sole sources for particular products, and we may be dependent on particular vendors that produce popular items, and may not be able to easily find another source if a vendor discontinued selling to us. For example, we purchased approximately 45% of upholstery merchandise revenue, representing nearly 25% of our total merchandise revenue in 2020 from McCreary Modern, Inc. If any of our vendors, including our significant or sole-source vendors, were unable or unwilling to continue to sell us product, we may be unable to replace quickly or effectively the products sold to us by such vendor, or do so on similar or favorable terms, which could have an adverse impact on our business.

Many of our products are produced by artisans, specialty vendors and other vendors that are small and may be undercapitalized, unable to scale production or have limited production capacity, and we have from time to time in prior periods, including the COVID-19 pandemic, experienced supply constraints that have affected our ability to supply high demand items or new products due to such capacity and other limits, including production and shipping delays related to the COVID-19 pandemic, in our vendor base. In addition, the expansion of our business into new markets or new product introductions could put pressure on our ability to source sufficient quantities of our products from such vendors. In the event that one or more of our vendors is unable or unwilling to meet the quantity or quality of our product requirements, we may not be able to develop

relationships with new vendors in a manner that is sufficient to supply the shortfall. Even if we do identify such new vendors, we may experience product shortages, client backorders and delays as we transition our product requirements to incorporate alternative suppliers. Our relationship with any new vendor would be subject to the same or similar risks as those of our existing suppliers.

A number of our vendors, particularly our artisan vendors, may have limited financial or other resources and operating histories and may receive various forms of credit from us, including with respect to payment terms or other arrangements. We may advance a portion of the payments to be made to some vendors under our purchase orders prior to the delivery of the ordered products. These advance payments are normally unsecured. Vendors may become insolvent and their failure to repay our advances, and any failure to deliver products to us, could have a material adverse impact on our results of operations. There can be no assurance that the capacity of any particular vendor will continue to be able to meet our supply requirements in the future, as our vendors may be susceptible to production difficulties or other factors that negatively affect the quantity or quality of their production during future periods. A disruption in the ability of our significant vendors to access liquidity could also cause serious disruptions or an overall deterioration of their businesses, which could lead to a significant reduction in their ability to manufacture or ship products to us. Any difficulties that we experience in our ability to obtain products in sufficient quality and quantity from our vendors could have a material adverse effect on our business.

Increased commodity prices or increased freight and transportation costs could adversely affect our results of operations.

Our operating results are significantly affected by changes in product costs due to commodity cost increases or inflation, including with respect to freight and transportation costs. Prices of certain commodities used in our merchandise, such as petroleum, resin, copper, steel, cotton and lumber, are subject to fluctuation arising from changes in currency exchange rates, tariffs and trade restrictions and labor, fuel, freight and other transportation costs. In recent years, and in particular, the last several months, we have faced significant inflationary pressure on freight costs, which were heightened by tariff-related shipment surges and port congestion.

Due to the uncertainty of commodity price fluctuations and inflation, we may not be able to pass some or all of these increased costs on to our clients, which results in lower margins. Even if we are able to pass these increased costs on to our clients, we may not be able to do so on a timely basis. Accordingly, any rapid and significant changes in commodity prices or other supply chain costs may have a material adverse effect on our gross margins, operating results and financial performance.

We have identified material weaknesses in our internal control over financial reporting. If our remediation of these material weaknesses is not effective, or if we identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting in the future, we may not be able to report accurately or timely our financial condition or results of operations, which may adversely affect investor confidence in us, and as a result, the value of our Class A common stock.

We are not currently required to comply with the rules of the SEC implementing Section 404 of the Sarbanes-Oxley act and therefore are not required to make a formal assessment of the effectiveness of our internal control over financial reporting, or ICFR, for that purpose. Upon becoming a public company, we will be required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our ICFR.

During the course of preparing for this offering, we identified material weaknesses in our ICFR as described below. A material weakness is 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 consolidated financial statements will not be prevented or detected on a timely basis.

- We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we lacked a sufficient complement of professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately. Additionally, the lack of a sufficient number of professionals resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives, as demonstrated by, amongst other things, insufficient segregation of duties in our finance and accounting functions. This material weakness contributed to the following additional material weaknesses.

- We did not design and maintain formal accounting policies, procedures and controls, or maintain documentary evidence of existing control activities to achieve complete, accurate and timely financial accounting, reporting and disclosures, including adequate controls over the period-end financial reporting process, the preparation and review of account reconciliations and journal entries, including segregation of duties and assessing the reliability of reports and spreadsheets used in controls.

- We did not design and maintain effective controls to address the identification of and accounting for certain non-routine or complex transactions, including the proper application of U.S. GAAP of such transactions. Specifically, we did not design and maintain controls to timely appropriately account for our incentive unit plan.

These material weaknesses resulted in a restatement of our previously issued annual consolidated financial statements as of and for the years ended December 31, 2020 and 2019 principally related to selling, general and administrative expenses and other long-term liabilities, and misclassifications in the balance sheets and statements of comprehensive income. Additionally, each of the material weaknesses could result in misstatements to substantially all of our accounts or disclosures, which then would result in a material misstatement to the annual or interim consolidated financial statements.

- Lastly, we did not design and maintain effective controls over information technology, or IT, general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain: (i) program change management controls for financial systems to ensure that information technology program and data changes affecting financial applications and underlying accounting records are identified, tested, authorized and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate Company personnel; (iii) computer operations controls to ensure that critical batch jobs are monitored and data backups are authorized and monitored; and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements.

These IT deficiencies did not result in material adjustments to our consolidated financial statements, however, the deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. Accordingly, management has determined these IT deficiencies in the aggregate constitute a material weakness.

With the oversight of senior management and our Audit Committee, we have designed and begun to implement a remediation plan which includes:

- Updating our policies and procedures to establish and maintain effective segregation of duties for our finance and accounting staff in relation to journal entries, reconciliations and other applicable processes.
- Designing and implementing internal financial reporting procedures and controls to improve the completeness, accuracy and timely preparation of financial reporting and disclosures inclusive of establishing an ongoing program to provide sufficient training to our finance and accounting staff.
- Enhancing the design and operation of user access control activities and procedures to ensure that access to IT applications and data is adequately restricted to appropriate personnel.
- Hiring additional competent and qualified technical accounting and financial reporting personnel with appropriate knowledge and experience of U.S. GAAP and SEC financial reporting requirements, including non-routine and complex transactions, to design, execute and/or provide appropriate oversight of activities related to ICFR.
- Implementing additional program change management policies and procedures, control activities, and tools to ensure changes affecting key financial systems related to IT applications and underlying accounting records are identified, authorized, tested, and implemented appropriately.
- Designing and implementing a formal systems development lifecycle methodology and related program development controls to ensure significant IT change events are appropriately tested and approved.
- Enhancing the design and operation of control activities and procedures within the computer operations domain to ensure key batch jobs are monitored, processing failures are adequately resolved, and recovery capability is tested.
- Identifying and evaluating key IT dependencies including key reports, automated application controls, interfaces, and end user computer facilities.

Although we have developed and begun to implement a plan to remediate the material weaknesses and believe, based on our evaluation to date, that the material weaknesses will be remediated in a timely fashion, we cannot project a specific timeline on when the plan will be fully implemented, but we expect that full remediation could potentially go beyond December 31, 2021. The material weaknesses will not be remediated until the necessary internal controls have been designed, implemented, tested and determined to be operating effectively. While the Company cannot provide an estimate of costs expected to be incurred in connection with implementing this remediation plan, these remediation measures will be time consuming, incur significant costs to both implement and maintain, and place significant demands on the Company's financial and operational resources. In addition, we may need to take additional measures to address the material weaknesses or modify the planned remediation steps, and we cannot be certain that the measures we have taken, and expect to take, to improve our internal controls will be sufficient to address the issues identified, to ensure that our internal controls are effective or to ensure that the identified material weaknesses will not result in a material misstatement of our consolidated financial statements. Moreover, we cannot provide assurance that we will not identify additional material weaknesses in our ICFR in the future. Until we remediate the material weaknesses, our ability to record, process and report financial information accurately, and to prepare our consolidated financial statements within the time periods specified by the rules and forms of the SEC, could be adversely affected.

We are subject to import and other international risks as a result of our reliance on foreign manufacturers and vendors to supply a significant portion of our merchandise.

Although our Showrooms are based solely in the United States, we rely on foreign manufacturers and vendors to supply a significant portion of our merchandise. Approximately 50% of our merchandise revenue was purchased from vendors in foreign locations such as Italy, Mexico and Southeast Asia during fiscal year 2020. Our significant international supply chain increases the risk that we will not have adequate and timely supplies of various products due to local political, economic, social or environmental conditions, political instability, international conflicts, acts of terrorism, natural disasters, epidemics (including the COVID-19 pandemic), transportation delays, dock strikes, inefficient freight requirements, restrictive actions by foreign governments or changes in U.S. laws, trade policy and regulations affecting imports or domestic distribution.

All of our products manufactured overseas and imported into the United States are subject to duties collected by the U.S. Customs Service. We may be subjected to additional duties or tariffs, significant monetary penalties, the seizure and forfeiture of the products we are attempting to import or the loss of import privileges if we or our suppliers are found to be in violation of U.S. laws and regulations applicable to the importation of our products. Tariffs also can impact our or our vendors' ability to source product efficiently or create other supply chain disruptions. The U.S. administration has enacted certain tariffs and proposed additional tariffs on many items sourced from China, including certain furniture, furniture parts, and raw materials for domestic furniture manufacturing products imported into the United States. Although we have not historically purchased a significant amount of product from China, we may not be able to fully or substantially mitigate the impact of these or future tariffs, pass price increases on to our clients or secure adequate alternative sources of products, which would have a material adverse effect on our business, operating results and financial performance.

Our business and operating results may be harmed if we are unable to timely and effectively deliver merchandise to our clients and manage our supply chain.

If we are unable to effectively manage our inventory levels and the responsiveness of our supply chain, including predicting the appropriate levels and type of inventory to stock within our distribution facility, our business and operating results may be harmed. For example, we continue to experience elevated levels of demand for many of our products, and as a result, we may encounter delays in fulfilling this demand and replenishing to appropriate inventory levels. Furthermore, demand for our products is influenced by certain factors, like the popularity of certain Showroom aesthetics, cultural and demographic trends, marketing and advertising expenditures, and general economic conditions, all of which can change rapidly and result in a quick shift in consumer demand. As a result, consumer preferences cannot be predicted with certainty and may change between selling seasons. We must be able to stay current with preferences and trends in our brands and address the consumer tastes for each of our target consumer demographics. We may not always be able to respond quickly and effectively to changes in consumer taste and demand due to the amount of time and financial resources that may be required to bring new products to market or to constraints in our supply chain if our vendors do not have the capacity to handle elevated levels of demand for part or all of our orders or could experience delays in production for our products. If we misjudge either the market for our merchandise or our clients' purchasing habits or we experience continued or lengthy delays in fulfilling client demand, our clients could shop with our competitors instead of us, which could harm our business. Additionally, much of our merchandise requires that we provide vendors with significant ordering lead times and we may not be able to source sufficient inventory if demand for a product is greater than anticipated. Alternatively, we may be required to mark down certain products to sell any excess inventory or to sell such inventory through our Outlets or other liquidation channels at prices that are significantly lower than our retail prices, any of which would negatively impact our business and operating results. The inability to respond quickly to market changes could have an impact on our expected growth potential and the growth potential of the market.

Our business has been and may continue to be affected by the significant and widespread risks posed by the COVID-19 pandemic or a similar outbreak of an infectious disease.

The global outbreak of COVID-19 and resulting health crisis has caused, and continues to cause, significant and widespread disruptions to the U.S. and global economies, financial and consumer markets, and our business. The COVID-19 outbreak in the first quarter of fiscal year 2020 caused disruptions to our business operations. In our initial response to the COVID-19 health crisis, we undertook immediate adjustments to our business operations including temporarily closing all of our retail locations, minimizing expenses and delaying investments, including pausing some inventory orders while we assessed the status of our business. Our approach to the crisis evolved quickly as our business trends substantially improved during the second through fourth fiscal quarters of fiscal year 2020 as a result of both the reopening of our Showrooms and also strong consumer demand for our products. As of June 30, 2020, we had reopened all of our Showrooms and Outlets.

During the course of the COVID-19 pandemic, public health officials and other governmental authorities have imposed and may impose new mitigation measures, regulations and requirements to address the spread of COVID-19. Public health officials and other governmental authorities also have imposed directives and may impose additional directives that could require changes in our business practices. The scope and duration of these mitigation measures and directives continue to evolve throughout the course of the COVID-19 pandemic. Depending on the future course of COVID-19 and further outbreaks, we may experience further restrictions and temporary closures of our Showrooms and Outlets. Although we experienced strong demand for our products during fiscal year 2020, some of the demand may have been driven by stay-at-home restrictions that were in place throughout many parts of the United States. The exact effect of changes to these stay-at-home restrictions cannot be predicted with certainty.

Although we have continued to serve our clients and operate our business throughout the COVID-19 pandemic, there can be no assurance that future events will not have an effect on our business, results of operations or financial condition because the extent and duration of the health crisis remains uncertain. Future adverse developments in connection with the COVID-19 crisis, including further outbreaks and new strains or variants of COVID-19, evolving international, federal, state and local restrictions and safety regulations in response to COVID-19, changes in consumer behavior and health concerns, the pace of economic activity in the wake of COVID-19, or other similar issues could adversely affect our business, results of operations or financial condition in the future, or our financial results and business performance in future periods.

Due to COVID-19, we have experienced, and expect to continue to experience, constraints in our merchandise supply chain, which have resulted in delays in the manufacture, supply, distribution, transportation and delivery of our products and our inventory levels. We anticipate that the business conditions related to COVID-19 will continue to adversely affect the capacity of our vendors and supply chain to meet our merchandise demand levels during fiscal year 2021. We expect that our supply chain may catch up to demand in the foreseeable future, but business circumstances and operational conditions in numerous international locations where our vendors operate cannot be predicted with certainty.

Further, we continue to address the effects of COVID-19 on our business with respect to real estate development and the introduction of new Showrooms. A range of factors involved in the development of new Showrooms may continue to be affected by COVID-19, including delays in construction, permitting and other necessary governmental actions. In addition, the scope and cadence of investments by third parties, including landlords and other real estate counterparties, may be adversely affected by COVID-19. Actions taken by federal, state and local government authorities, and in some instances mall and shopping center owners, in response to COVID-19, may require changes to our real estate strategy and related capital expenditure. We may also continue to be required to make lease payments in whole or in part for our Showrooms that were temporarily closed or are required to close in the future in the event of resurgences in COVID-19 outbreaks or for other reasons. Any efforts to mitigate the costs of construction delays and deferrals, retail closures and other operational difficulties, including any such difficulties resulting from COVID-19, such as by negotiating with

landlords and other third parties regarding the timing and amount of payments under existing contractual arrangements, may not be successful, and as a result, our real estate strategy may have ongoing significant liquidity needs even as we make changes to our planned operations and expansion cadence.

In addition, governmental authorities have imposed regulations or requirements with respect to the compensation of our employees or the manner or location in which our employees may work. At various times since the beginning of COVID-19, many of our employees have been subject to state and local shelter-in-place requirements, which have varied over time and resulted in many members of our team being required to work remotely. These working arrangements and other related restrictions, including severe limitations on travel, may have an effect on our operations and the ability of our executives to lead our teams. Although we have technology and other resources to support these new work requirements, there can be no assurance that we will not suffer material risks to our business, operations, productivity and results of operations as a result of these restrictions. If a significant percentage of our workforce is unable to work, including because of illness or travel or government restrictions in connection with COVID-19, our operations may be negatively affected, potentially materially adversely affecting our business, liquidity, financial condition or results of operations.

To the extent the COVID-19 outbreak adversely affects our business, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

Changes in general economic conditions, including the health of the high-end housing market, and the resulting impact on consumer confidence and consumer spending, could adversely impact our revenue and results of operations.

Our financial performance is subject to declines in general economic conditions and the impact of such economic conditions on levels of consumer confidence and consumer spending. Consumer confidence and consumer spending may deteriorate significantly and could remain depressed for an extended period of time. Consumer purchases of discretionary items, including our merchandise, generally decline during periods when disposable income is limited, unemployment rates increase or there is economic uncertainty. An uncertain economic environment could also cause our vendors to go out of business or our banks to discontinue lending to us or our vendors, or it could cause us to undergo restructurings, any of which could adversely impact our business and operating results.

Moreover, as we target consumers of high-end home furnishings for our products, our sales are particularly affected by the financial health of higher-end consumers and demand levels from that consumers demographic. In addition, not all macroeconomic factors are highly correlated in their impact on lower-end housing versus higher-end consumers. Demand for lower priced homes and first time home buying may be influenced by factors such as employment levels, interest rates, demographics of new household formation and the affordability of homes for the first time home buyer. The higher-end of the housing market may be disproportionately influenced by other factors including the number of foreign buyers in higher-end real estate markets in the United States, the number of second and third homes being sold, stock market volatility and illiquid market conditions, global economic uncertainty, decreased availability of income tax deductions for mortgage interest and state income and property taxes, and the perceived prospect for capital appreciation in higher-end real estate. Shifts in consumption patterns linked to the reopening of businesses in light of improvements relating to the COVID-19 pandemic may also have an impact on consumer spending in the high-end housing market. Further, in recent periods the stock market has experienced significant volatility as well as periods of significant decline, and rising house prices have dampened. Increases in interest rates may dampen growth in the U.S. housing market and may depress consumer optimism about the U.S. housing market and home buying in the higher-end of the housing market. We believe that our client purchasing patterns are influenced by economic factors including the health and volatility of the stock market. We have seen that previous declines in the stock market and periods of high volatility have been correlated with a reduction in client demand for our products.

There can be no assurance that some of the other macroeconomic factors described above will not adversely affect the higher-end client that we believe makes up the bulk of our client demand. We believe that a number of these factors have in the past had, and may in the future have, an adverse impact on the high-end retail home furnishings sector and affect our business and results. These factors may make it difficult for us to accurately predict our operating and financial results for future periods and some of these factors could contribute to a material adverse effect on our business and results of operations.

We are unable to control many of the factors affecting consumer spending, and declines in consumer spending on home furnishings could reduce demand for our products.

Our business depends on client demand for our products and, consequently, is sensitive to a number of factors that influence consumers spending, including general economic conditions, client disposable income, fuel prices, recession and fears of recession, unemployment, war and fears of war, outbreaks of disease (such as the COVID-19 pandemic), adverse weather, availability of client credit, client debt levels, conditions in the housing market, interest rates, sales tax rates and rate increases, inflation, consumers' confidence in future economic and political conditions, and client perceptions of personal well-being and security. In particular, past economic downturns have led to decreased discretionary spending, which adversely impacted our business. In addition, periods of decreased home purchases typically lead to decreased consumers spending on home products. These factors have affected, and may in the future affect, our various brands and channels differently. Adverse changes in factors affecting discretionary consumers spending have reduced and may in the future reduce client demand for our products, thus reducing our sales and harming our business and operating results.

Adverse events in the primary regions of our operations could materially adversely affect our business.

Our headquarters and primary distribution center are located outside of Cleveland, Ohio. Any extreme weather, natural or man-made disasters, catastrophic events, terrorism, blackouts, widespread illness (such as the COVID-19 pandemic) or unfavorable regional economic conditions could materially adversely affect our business. Such events could result in physical damage to or destruction or disruption of one or more of our properties, physical damage to or destruction of our inventory, the lack of an adequate workforce in parts or all of our operations, supply chain disruptions, data and communications disruptions.

The failure to recruit, hire, and retain qualified personnel could materially adversely affect our business.

The success of our business depends upon our ability to recruit, hire and retain qualified individuals to work in and manage our Showrooms and manufacturing and distribution centers in the geographic regions in which our Showrooms and manufacturing and distribution centers are located, and our operations are subject to federal and state laws governing such matters as minimum wages, overtime, working conditions and employment eligibility requirements. Economic factors such as a decrease in unemployment and an increase in mandatory minimum wages at the local, state and federal levels and social benefits, whether intended to be permanent or temporary, as well as increases in wages paid by other employers in markets in which we compete, could have a material impact on our results of operations if we are required to significantly increase wages and benefits expenditures in order to attract and retain qualified personnel. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, causing our client service to suffer, while increasing wages for our employees could cause our profit margins to decrease. For example, we experienced temporary difficulties recruiting personnel in our manufacturing and distribution centers during the COVID-19 pandemic as a result of enhanced unemployment benefits. Further, qualified individuals for our skilled labor positions, particularly in our manufacturing and distribution centers, are in high demand, and we may experience shortages of skilled labor, which may make it more difficult and expensive for us to attract and retain such qualified employees. Failure to continue to attract a sufficient number of individuals at reasonable compensation levels could have a material adverse effect on our business, reputation and results of operations.

We depend on our management's and other team members' experience and knowledge of our industry; we could be adversely affected were we to lose, or experience difficulty in recruiting and retaining, any such members of our team.

We are currently managed by a group of experienced senior executives, including our Founder, Chairman and Chief Executive Officer, John Reed, and other key team members with substantial knowledge and understanding of the industry sector in which we operate. Our success and future growth depend largely upon the continued services of our management team. If, for any reason, our executives do not continue to be active in management, or we lose such persons, or other key team members, or we fail to identify and/or recruit for current or future positions of need, our business, financial condition or results of operations could be adversely affected.

We have and will continue to incur capital expenditures for the remodeling of our existing Showrooms, and there is no guarantee that this will result in incremental Showroom traffic or sales, which may adversely impact our results of operations and financial performance.

We believe our clients' experience in our Showrooms is important to our brand. Accordingly, we may remodel our existing Showrooms to improve our clients' experience and reflect our new Showroom design, products and the latest market trends. The remodeling of our Showrooms requires significant capital expenditure and there is no guarantee that the capital spent on our remodeled Showrooms will result in increased traffic or be offset by increased revenue, which would materially adversely affect our results of operations and financial performance.

Our continued success is substantially dependent on our positive brand identity.

The success of our operations is dependent, in part, on our ability to preserve, grow and utilize the value of our reputation as a top-quality brand in home furnishings. Reputational value is based in large part on perceptions of subjective qualities, and even isolated incidents may erode our clients' trust and confidence in our brand and products. Damage to our reputation could arise from product failures, data privacy or security incidents, litigation or various forms of adverse publicity, especially in social media outlets, and may generate negative client sentiment, and could have an adverse impact on our business and results of operations.

We continue to invest in the development of our brand and the marketing of our business. Our increased focus on elevating Arhaus as a luxury brand further increases the importance of our brand image, position and reputation. We believe that maintaining and enhancing our brand is integral to the future of our business and to the implementation of our strategies for expanding our business. This will require us to continue to make investments in areas such as marketing and advertising, as well as the day-to-day investments required for the operations of our Showrooms, website operations and employee training. Our brand image may be diminished if new products, services or other businesses fail to maintain or enhance our distinctive brand image, which could have a material adverse impact on our business and results of operations.

Additionally, our reputation could be jeopardized if we fail to maintain high standards for merchandise and service quality. With the growth in importance and the impact of social media, any negative publicity from product defects, recalls or failures in service may be magnified and reach a large portion of our client base in a very short period of time, which could harm the value of our brand and, consequently, our financial performance could suffer. We may also suffer reputational harm if we fail to maintain high ethical, social and environmental standards for all of our operations and activities, if we fail to comply with local laws and regulations or if we experience other negative events that affect our image or reputation. Any failure to maintain a strong brand image could have a material adverse effect on our sales, results of operations, financial performance and prospects.

Merchandise purchased from our vendors that is defective or otherwise does not meet our product quality standards could damage our reputation and brand image and harm our business, and we may not have adequate remedies against our vendors for such merchandise.

Some of our merchandise has failed to meet our expectations and objectives concerning quality. We have in recent periods, and may in the future, recall products from the market due to quality or other issues. Despite our continual efforts to deliver our clients satisfying experiences in our Showrooms, we may fail to maintain the necessary level of quality for some of our products in order to satisfy our clients. For example, our vendors may not be able to continuously adhere to our quality control standards, and we might not identify a quality deficiency before merchandise ships to our Showrooms or clients. Our failure to supply high quality merchandise in a timely and effective manner to our clients, our announcement of product recalls, or any perception that we are not adequately maintaining our sourcing and quality control processes in order to anticipate product quality issues could damage our reputation and brand image, and could lead to an increase in product returns or exchanges or client litigation against us and a corresponding increase in our routine and non-routine litigation costs. Further, any merchandise that does not meet our quality standards or applicable government requirements could trigger high rates of client complaints or returns, become subject to a product recall and/or attract negative publicity, which could in turn damage our reputation and brand image, result in client litigation (including class-action lawsuits), and harm our business. With the growth in importance and the impact of social media, the magnitude of such harm to our business, reputation and brand image may be significantly amplified. We are making changes in many aspects of our business processes that affect our clients, including improvements in product quality and enhancements in sourcing and product availability, which are expected to include increasingly significant operational and other changes in the near term. This may complicate our supply chain and quality control process, and any inability to invest sufficient resources in quality control and compliance processes or significant turnover in the personnel dedicated to such function may result in quality control issues or product recalls.

Even if we detect that merchandise is defective or otherwise not in compliance with our product quality standards before such merchandise is shipped to our clients, we may not be able to return such products to the vendor, obtain a refund of our purchase price from the vendor or obtain other indemnification from the vendor. The limited capacities of certain of our vendors may constrain the ability of such vendors to replace any defective merchandise in a timely manner. Similarly, the limited capitalization and liquidity of certain of our vendors and their lack of insurance coverage for product recall claims may result in such vendors being unable to refund our purchase price or pay applicable penalties or damages associated with any such defects or resulting product recalls.

Use of social media and influencers may materially and adversely affect our reputation or subject us to fines or other penalties.

We use third-party social media platforms as marketing tools, among other things. For example, we maintain Instagram, Facebook, Twitter, Pinterest and YouTube accounts, as well as our own content on our website. We maintain relationships with many social media influencers and may engage in sponsorship initiatives. As existing eCommerce and social media platforms continue to rapidly evolve and new platforms develop, we must continue to maintain a presence on these platforms and establish presences on new or emerging popular social media platforms. If we are unable to use social media platforms as marketing tools in a cost-effective manner or if the social media platforms we use do not evolve quickly enough for us to fully optimize such platforms, our ability to acquire new clients and our financial condition may suffer. Furthermore, as laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees, our network of social media influencers, our sponsors or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices or otherwise could subject us to regulatory investigations, class action lawsuits, liability, fines or other penalties and have a material adverse effect on our business, financial condition and operating results.

In addition, an increase in the use of social media for marketing may cause an increase in the burden on us to monitor compliance of such materials, and increase the risk that such materials could contain problematic product or marketing claims in violation of applicable regulations. For example, in some cases, the Federal Trade Commission, or the FTC, has sought enforcement action where an endorsement has failed to clearly and conspicuously disclose a material relationship between an influencer and an advertiser. If we were held responsible for the content of influencers' posts under FTC regulations and guidelines, we could be forced to alter our practices, which could have a material adverse effect on our business, financial condition, and results of operations.

Negative commentary regarding us, our products or influencers and other third parties who are affiliated with us may also be posted on social media platforms and may be adverse to our reputation or business. Influencers with whom we maintain relationships could engage in behavior or use their platforms to communicate directly with our clients in a manner that reflects poorly on our brand and may be attributed to us or otherwise adversely affect us. It is not possible to prevent such behavior, and the precautions we take to detect this activity may not be effective in all cases. The harm may be immediate, without affording us an opportunity for redress or correction.

We rely on third parties to drive traffic to our website, and these providers may change their algorithms or pricing in ways that could negatively impact our business, results of operations, financial condition and prospects.

We rely in part on digital advertising, including search engine marketing and social media advertising, to promote awareness of our brand, grow our business, attract new clients and retain existing clients. In particular, we rely on search engines, such as Google, and social media platforms such as Facebook, Pinterest and Instagram as important marketing channels. In addition to purchasing traditional advertising space on search engines and social media platforms, we also partner with influencers who promote our brand and products to their followers. If search engines or social media platforms change their algorithms, terms of service, display or the featuring of search results, determine we are out of compliance with their terms of service or if competition increases for advertisements, we may be unable to cost-effectively market through these channels. Further, changes to third-party policies that limit our ability to deliver, target or measure the effectiveness of advertising, including changes by mobile operating system and browser providers such as Apple and Google, could reduce the effectiveness of our marketing. We also cannot accurately predict if the followers of our social media influencer partners will be interested in buying our products, or if our influencer partners will maintain their follower numbers throughout the time of our partnerships. Our relationships with our marketing vendors are not long term in nature and do not require any specific performance commitments. In addition, many of our online advertising vendors provide advertising services to other companies, including companies with whom we may compete. As competition for online advertising has increased, the cost for some of these services has also increased. Our marketing initiatives may become increasingly expensive and generating a return on those initiatives may be difficult. Even if we successfully increase revenue as a result of our paid marketing efforts, such increase may not offset the additional marketing expenses we incur.

From time to time we are subject to client or other various legal proceedings which could adversely affect our business, financial condition, results of operations and cash flows.

We are involved in various litigation matters from time to time. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Moreover, our operations are characterized by a high volume of client traffic and by transactions involving a wide array of product selections. These operations carry a higher exposure to client litigation risk when compared to the operations of companies operating in many other industries. Consequently, we have been, and may in the future be from time to time, involved in lawsuits seeking cash settlements for alleged personal injuries, property damages and other business-related matters, as well as product liability and other legal actions in the ordinary course of our business. While these actions are generally routine in nature and incidental to the operation of our

business, if our assessment of any action or actions should prove inaccurate and/or if we are unsuccessful in our defense in these litigation matters, or any other legal proceeding, we may be forced to pay damages or fines, enter into consent decrees or change our business practices, any of which could adversely affect our business, financial condition or results of operations. Further, adverse publicity about client or other litigation may negatively affect us, regardless of whether the allegations are true, by discouraging clients from purchasing our products.

Our failure to successfully manage the costs and performance of our catalog mailings might have a negative impact on our business.

Catalog mailing is a significant component of our marketing activities. The cost of catalog production, printing and distribution impacts our operating margin and increases in these costs may not be offset by increased revenue generated. In addition, postal service delays can affect the timing of catalog delivery, which could cause clients to forego or defer purchases. Moreover, we rely on one printer for all of our catalog printing work, which subjects us to various risks if the vendor fails to perform under our agreement. We have historically experienced fluctuations in our clients' response to our catalogs. Client response to our catalogs is substantially dependent on merchandise assortment, availability and creative presentation, as well as the consumers to whom the catalogs are directed, timing of delivery of our mailings, the general retail sales environment and current domestic and global economic conditions. If we misjudge the correlation between our catalog marketing and net revenue, or if our catalog strategy overall does not continue to be successful, our results of operations could be negatively impacted.

Our failure to successfully anticipate merchandise returns might have a negative impact on our business.

We record a reserve for merchandise returns based on historical return trends together with current product sales performance in each reporting period. If actual returns are greater than those projected and reserved for by management, additional sales returns might be recorded in the future. In addition, to the extent that returned merchandise is damaged, we often do not receive full retail value from the resale or liquidation of the merchandise. Further, the introduction of new merchandise, changes in merchandise mix, changes in consumer confidence, or other competitive and general economic conditions may cause actual returns to differ from merchandise return reserves. Any significant increase in merchandise returns that exceeds our reserves could have a material adverse effect on our business, reputation and operating results.

Product warranty claims could have a material adverse effect on our business.

We provide a limited warranty on merchandise to be free of defects in both construction materials and workmanship, which, if deficient, could lead to warranty claims. We also provide "Worry-Free Protection Plans" that are serviced by a third party and include coverage for incidental and accidental damage not covered by our limited warranty. We maintain a reserve for warranty claims; however, there can be no assurance that our reserve for warranty claims will be adequate and additional warranty reserves may be required. A significant number of or an increase in warranty claims could, among other things, harm our reputation and damage our brand, cause us to incur significant repair and/or replacement costs, and have a material adverse effect on our business, financial condition, operating results and prospects.

If we are unable to successfully adapt to client shopping preferences or develop and maintain a relevant and reliable omni-channel experience for our clients, our financial performance and brand image could be adversely affected.

We are continuing to grow our omni-channel business model. While we interact with many of our clients through our Showrooms, our clients are increasingly using computers, tablets and smartphones to make purchases online and to help them make purchasing decisions when in our Showrooms. Our clients also engage with us online through our social media channels, including Facebook and Instagram, by providing feedback and

public commentary about aspects of our business. Omni-channel retailing is rapidly evolving. Our success depends, in part, on our ability to anticipate and implement innovations in client experience and logistics in order to appeal to clients who increasingly rely on multiple channels to meet their shopping needs. If for any reason we are unable to continue to implement our omni-channel initiatives or provide a convenient and consistent experience for our clients across all channels that delivers the products they want, when and where they want them, our financial performance and brand image could be adversely affected.

Our future growth depends on our ability to successfully implement our organic growth strategy, a major part of which consists of opening new Showrooms. We may be unable to successfully open and operate new Showrooms, which could have a material adverse effect on our business, financial condition, operating results and prospects.

As of June 30, 2021, we had 75 Showrooms, including three Outlet stores, in 27 states in the United States. A major part of our organic growth strategy consists of increasing our Showroom base. Such large-scale projects entail significant risks, including shortages of materials or skilled labor, unforeseen engineering, environmental and/or geological problems, work stoppages, weather interference, unanticipated cost increases and non-availability of construction equipment. We have experienced and are experiencing some delays in certain opening projects on account of the COVID-19 pandemic and may experience similar delays in the future due to COVID-19 or other similar outbreaks of infectious diseases. There can be no assurance that we will succeed in opening additional Showrooms, which could have a material adverse effect on our business, financial condition, operating results and prospects.

Our ability to successfully open and operate new Showrooms depends on many factors, including, among other things, our ability to:

- identify new markets where our brand and products will be accepted and the revenue at our Showrooms will meet our targeted revenue levels;
- obtain desired locations, including Showroom size and adjacencies, in targeted high traffic street and urban locations and top tier retail locations;
- adapt our Showrooms to address public health concerns or public health crises, such as the COVID-19 pandemic;
- negotiate acceptable lease terms, including satisfactory rent and tenant improvement allowances;
- achieve brand awareness and attract new clients in new markets;
- manage capital expenditures while designing new Showrooms and remodeling our existing Showrooms;
- hire, train and retain Showroom associates and field management;
- assimilate new Showroom associates and field management into our corporate culture;
- source and supply sufficient inventory levels;
- employ the adequate technologies needed to serve our clients and protect their transactions with us;
- successfully integrate new Showrooms into our existing operations and information technology systems; and
- meet our capital needs, including to fund the opening of new Showrooms.

In addition, once our new Showrooms are opened, we may not be able to achieve our targeted increase in revenue at such Showrooms. Accordingly, there can be no assurance that we will be able to achieve our growth targets by successfully implementing our growth strategy. Such risks, in addition to potential difficulties in obtaining any required licenses and permits, unavailability of desired Showroom locations, delays in the acquisition or opening of new Showrooms, delays or costs resulting from a decrease in commercial development due to capital restraints, difficulties in staffing and operating new Showroom locations or a lack of client acceptance of Showrooms in new market areas, could lead to significant costs and delays and may negatively impact our new Showroom growth, the profitability associated with new Showrooms and our future financial performance.

Our ability to attract clients to our Showrooms depends heavily on successfully locating our Showrooms in suitable locations. Any impairment of a Showroom location, including any decrease in client traffic, could cause our sales to be lower than expected.

We believe our Showrooms and the client's Showroom experience are key for generating and increasing revenue. We plan to open new Showrooms in high traffic locations and historically we have favored top tier mall locations near luxury and contemporary retailers that we believe are consistent with our target clients' demographics and shopping preferences. Revenues at these Showrooms are derived, in part, from the volume of foot traffic in these locations. Showroom locations may become unsuitable due to, and our revenue volume and client traffic generally may be harmed by, among other things:

- economic downturns in a particular area;
- competition from nearby retailers selling similar products;
- changing client demographics in a particular market;
- changing preferences of clients in a particular market;
- the closing or decline in popularity of other businesses located near our Showroom;
- reduced client foot traffic outside a Showroom location; and
- Showroom impairments due to acts of God, pandemic, terrorism, protest or periods or civil unrest.

Even if a Showroom location becomes unsuitable, we will generally be unable to cancel the long-term lease associated with such Showroom.

Our estimated addressable market is subject to inherent challenges and uncertainties. If we have overestimated the size of our addressable market, our future growth opportunities may be limited.

We have determined our total addressable market based on, among other things, our analysis of the historical market size of the U.S. residential furniture and décor market, our observation and analysis of recent trends, client behaviors and client satisfaction, our estimates and expectations concerning future growth of the U.S. residential furniture market, including expected growth of the premium furniture segment, as well as other information derived from third-party research commissioned by us. As a result, our estimated total addressable market is subject to significant uncertainty and is based on assumptions that may not prove to be accurate. Our estimates are based, in part, on third-party reports and are subject to significant assumptions and estimates. These estimates, as well as the estimates and forecasts in this prospectus relating to the size and expected growth of the markets in which we operate, and our penetration of those markets, may change or prove to be inaccurate. While we believe the information on which we base our total addressable market is generally reliable, such information is inherently imprecise. In addition, our expectations, assumptions and estimates of future opportunities are

necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described herein. If third-party or internally generated data prove to be inaccurate or we make errors in our assumptions based on that data, our future growth opportunities may be affected. If our addressable market proves to be inaccurate, our future growth opportunities may be limited and there could be a material adverse effect on our prospects, business, financial condition, and results of operations.

We operate in a highly competitive industry sector which may adversely affect our future financial performance.

The home furnishings sector is highly competitive. We compete with the interior design trade and specialty Showrooms, as well as antique dealers and other merchants that provide unique items and custom-designed product offerings. We also compete with national and regional home furnishing retailers and department Showrooms, including Restoration Hardware, Room & Board, Serena and Lily and Pottery Barn. In addition, we compete with mail order catalogs and online retailers focused on home furnishings. There are an increasing number of online and digital centric business models in the home furnishings sector and the impact of these competitors on other home furnishing businesses is uncertain although some of these digital offerings have gained market share primarily in areas outside the luxury end of the market.

We compete generally with these other retailers for clients, suitable retail locations, vendors, qualified employees and senior leadership personnel. Some of our competitors have also attempted to imitate our product offerings and business initiatives from time to time in the past. In addition, many of our competitors have significantly greater national brand recognition or may devote greater resources to the marketing and sale of their products or adopt more aggressive pricing policies than we do. Such competitors may also be able to adapt to changes in client preferences more quickly than we can due to their greater financial or marketing resources, through new product launches or by adapting their business models and operations to new client trends, which may in turn change how our clients acquire products or view our business and brand. There can be no assurance that such competitors will not be more successful than us or that we will be able to continue to maintain our position as a leader in style and innovation in the future.

Our lease obligations are substantial and expose us to increased risks.

We do not own any of our Showrooms. Instead, we rent all of our Showroom spaces pursuant to leases. Nearly all of our leases require a fixed annual rent, and many of them require the payment of additional rent if Showroom revenues exceed a negotiated amount. Most of our leases are “net” leases that require us to pay all costs of insurance, maintenance and utilities, and applicable taxes.

Our required payments under these leases are substantial and account for a significant portion of our selling, general and administrative expenses. We expect that any new Showrooms we open will also be leased, which will further increase our lease expense and require significant capital expenditures. Our substantial lease obligations could have significant negative consequences, including, among others:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring a substantial portion of our available cash to pay our rental obligations, reducing cash available for other purposes;
- limiting our flexibility in planning for or reacting to changes in our business or in the industry in which we compete; and
- placing us at a disadvantage with respect to some of our competitors who sell their products exclusively online.

Such risks could lead to significant costs which may negatively impact our growth, the profitability associated with our Showrooms and our financial performance.

Growing our business may require additional capital, and if capital is not available to us, our business, operating results and financial condition may suffer.

We may need additional capital to continue to grow our business. We may be presented with opportunities that we want to pursue, and unforeseen challenges may present themselves, any of which could cause us to require additional capital. We fund our capital needs primarily from available working capital; however, the timing of available working capital and capital funding needs may not always coincide, and the levels of working capital may not fully cover capital funding requirements. From time to time, we may need to supplement our working capital from operations with proceeds from financing activities. If we seek to raise funds through equity or debt financing, those funds may prove to be unavailable, may only be available on terms that are not acceptable to us or may result in significant dilution in shares of our Class A common stock or higher levels of leverage. If we are unable to obtain adequate financing, or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results and financial condition could be materially and adversely affected.

Disruption in the financial markets could have a material adverse effect on client demand and our ability to refund client deposits.

We collect deposits from our clients at the time of purchase and in advance of delivering products, and as of June 30, 2021, we had approximately $226 million in client deposits. Strong client demand and supply chain constraints in fiscal year 2020 have increased client deposits, which results in increasing our net cash provided by operating activities. However, if there were disruptions in the financial markets or economy that led to significant client order cancellations, there can be no assurance that we will have the cash or cash equivalents to refund all client deposits for cancelled orders. If we are unable to refund client deposits or use our client deposits as a source of funding for our operating activities, our reputation and brand may be damaged and our funding costs may increase, which would have a material adverse effect on our business, financial results and condition.

Our business operations depend on good relations with our employees.

Currently, none of our employees are represented by a union or subject to any collective bargaining agreements. We believe that we have good relations with our employees and that these good relations contribute to the success of our operations. As we continue to grow and enter different regions, unions may attempt to organize all or part of our employee base at certain Showrooms or distribution centers or within certain regions. Responding to such organizational activity may distract management and employees and may have a negative financial effect on our business, financial condition or results of operations.

Risks Related to Our Intellectual Property

We may not be able to adequately protect our intellectual property rights.

We regard our client lists, trademarks, domain names, copyrights, patents, trade dress, trade secrets, proprietary technology and similar intellectual property as critical to our success. We rely on a combination of trademark, copyright, and patent law, trade dress, trade secret protection, agreements, and other methods together with the diligence of our employees and others to protect our proprietary rights. For a variety of reasons, we might not be able to obtain protection in the United States or internationally for all of our intellectual property. We have only registered trademarks and obtained domain names in jurisdictions where we have a significant business presence, and not in all major jurisdictions. Further, we might not be able to prevent third parties from

registering, using or retaining domain names that interfere with our consumer communications or infringe or otherwise decrease the value of our marks, domain names and other proprietary rights.

We might be required to spend significant resources to monitor and protect our intellectual property rights. We may not be able to discover or determine the extent of any infringement, misappropriation or other violation of our intellectual property rights and other proprietary rights. We have in the past initiated, and may in the future initiate claims or litigation against others for infringement, misappropriation or violation of our intellectual property rights or proprietary rights or to establish the validity of such rights. We have from time to time encountered other retailers selling products substantially similar to our products or misrepresenting that the products such retailers were selling were our products. We cannot assure you that the steps taken by us to protect our intellectual property rights will be adequate to prevent some infringement of our rights by others (especially with respect to infringement by non-U.S. entities with no physical U.S. presence), including imitation of our products and misappropriation of our images and brand.

If we are unable to protect and maintain our intellectual property rights, the value of our brand could be diminished, and our competitive position could suffer. The costs of defending and enforcing our intellectual property assets may incur significant time and legal expense. While we will take all steps necessary to protect and enforce our rights because of factors beyond our control, we may not be entirely successful in protecting our assets, enforcing our rights or collecting on judgments.

The inability to acquire, use or maintain our marks and domain names for our sites could substantially harm our business and operating results.

We are the owner of various trademarks for our brands and hold trademark registrations for many of them in the United States, Canada and China. We also own the Internet domain names for the Arhaus websites such as Arhaus.com, Arhaus.net, and Arhausfurniture.com, among others.

Third parties may use trademarks and brand names similar to Arhaus' trademarks and brand names and any potential confusion as to the source of goods or services could have an adverse effect on its business and may inhibit its ability to build name recognition in its markets of interest. Third parties may also oppose Arhaus' trademark applications or otherwise challenge Arhaus' use of the trademarks. If Arhaus' trademarks are successfully challenged, Arhaus could be forced to rebrand its products which could result in the loss of brand recognition and could require additional resources devoted to advertising and marketing new brands.

Domain names generally are regulated by Internet regulatory bodies. If we do not have or cannot obtain on reasonable terms the ability to use our marks in a particular country, or to use or register our domain name, we could be forced either to incur significant additional expenses to market our products within that country or to elect not to sell products in that country, either of which would adversely affect our business, financial condition and operating results. Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with our ability to use relevant domains or our current brand. Regulatory bodies also may establish additional generic or countrycode top-level domains or may allow modifications of the requirements for registering, holding or using domain names. As a result, we might not be able to register, use or maintain the domain names that utilize the name Arhaus or our other brands in all of the countries in which we currently or intend to conduct business.

If third parties claim that we infringe upon their intellectual property rights, our operating results could be adversely affected.

Third parties have in the past asserted, and may in the future assert, intellectual property claims against us, particularly as we expand our business to include new products and product categories and move into other geographic markets. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant

monetary liability and prevent us from selling some of our products, incur costs to redesign or rebrand our products or license rights from third parties or cease using those rights altogether, which could have a material adverse impact on our business, financial condition, or results of operations.

Risks Related to Government Regulation

We are subject to governmental regulations and may be subject to enforcement if we are not in compliance with applicable regulation, and changes in laws could make conducting our business more expensive or otherwise change the way we do business.

We are subject to a broad range of federal, state and local laws and regulations, including labor and employment, customs, eCommerce, privacy, health and safety, real estate, environmental and zoning and occupancy laws, and other laws and regulations that otherwise govern our business. Our products and their manufacturing, labeling, marketing and sale are also subject to various aspects of the Federal Trade Commission Act, state consumer protection laws and state warning and labeling laws, such as Proposition 65 in California. In addition, various jurisdictions may seek to adopt similar or additional product labeling or warning requirements.

As a retail business, changes in laws related to employee benefits and treatment of employees, including laws related to limitations on employee hours, supervisory status, leaves of absence, mandated health benefits or overtime pay, could negatively impact us by increasing compensation and benefits costs for overtime and medical expenses. Changes to U.S. health care laws, or potential global and domestic greenhouse gas emission requirements and other environmental legislation and regulations, could result in increased direct compliance costs for us (or may cause our vendors to raise the prices they charge us in order to maintain profitable operations because of increased compliance costs), increased transportation costs or reduced availability of raw materials.

In addition, to the extent we expand our operations as a result of engaging in new business initiatives or product lines, or expanding into new markets, we may become subject to new regulations and regulatory regimes. In addition to increased regulatory compliance, if the regulations applicable to our business operations were to change, it could make conducting our business more expensive or otherwise change the way we do business. We may need to continually reassess our compliance procedures, personnel levels and regulatory framework in order to keep pace with our business initiatives, and there can be no assurance that we will be successful in doing so.

Failure by us, our manufacturers, or our vendors to comply with applicable laws and regulations or to obtain and maintain necessary permits, licenses, and registrations relating to our operations could subject us to administrative and civil penalties, including significant fines, civil liability, criminal liability or sanctions, or other enforcement actions. Any of these actions could result in a material effect on our operating results and business and business and financial condition, including increased operating costs.

Expectations of our company relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, clients and other key stakeholders concerning corporate responsibility, specifically related to environmental, social and governance, or ESG, factors. We expect that an increased focus on ESG considerations will affect some aspects of our operations. There are a number of constituencies that are involved in a range of ESG issues including investors, special interest groups, public and consumer interest groups and third party service providers. As a result, there is an increased emphasis on corporate responsibility ratings and a number of third parties provide reports on companies in order to measure and assess corporate responsibility performance. In addition, the ESG factors by which companies' corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. Alternatively, if we are unable to satisfy such new criteria, investors may conclude that our policies with respect to corporate responsibility are inadequate. We risk damage to our brand and reputation in the event that our corporate responsibility procedures or standards do not

meet the standards set by various constituencies. We may be required to make substantial investments in matters related to ESG, which could require significant investment and impact our results of operations. Any failure in our decision-making or related investments in this regard could affect client perceptions as to our brand. Furthermore, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors and other key stakeholders or our initiatives are not executed as planned, our reputation and financial results could be materially and adversely affected.

Risks Related to Data Privacy and Information Technology

If we are unable to effectively manage our eCommerce business and digital marketing efforts, our reputation and operating results may be harmed.

Although eCommerce does not currently represent a significant portion of our revenues (approximately 18% of total net revenue in 2020) we believe eCommerce offers a significant growth opportunity and our strategy includes investment in and expansion of our digital platform and eCommerce channel. The success of our eCommerce business depends, in part, on third parties and factors over which we have limited control. We must continually respond to changing consumer preferences and buying trends relating to eCommerce usage, including an emphasis on mobile eCommerce. Our success in eCommerce has been strengthened in part by our ability to leverage the information we have on our clients to infer client interests and affinities such that we can personalize the experience they have with us. We also utilize digital advertising to target internet and mobile users whose behavior indicates they might be interested in our products. Current or future legislation may reduce or restrict our ability to use these techniques, which could reduce the effectiveness of our marketing efforts.

We are also vulnerable to certain additional risks and uncertainties associated with our eCommerce and mobile websites and digital marketing efforts, including: changes in required technology interfaces; website downtime and other technical failures; internet connectivity issues; costs and technical issues as we upgrade our website software; computer viruses; vendor reliability; changes in applicable federal and state regulations, such as the California Consumer Privacy Act, or CCPA, and related compliance costs; security breaches; and consumer privacy concerns. We must keep up to date with competitive technology trends and opportunities that are emerging throughout the retail environment, including the use of new or improved technology, evolving creative user interfaces, and other eCommerce marketing trends such as paid search, re-targeting, loyalty programs and the proliferation of mobile usage, among others.

We expect to continue to invest capital and other resources in our eCommerce channel, but there can be no assurance that our initiatives will be successful or otherwise succeed in driving sales or attracting clients. Our failure to successfully respond to these risks and uncertainties might adversely affect the sales or margin in our eCommerce business, require us to impair certain assets, and damage our reputation and brands.

Material damage to, or interruptions in, our information systems as a result of external factors, staffing shortages, cyber risk, or difficulties in updating our existing software or developing or implementing new software could have a material adverse effect on our business or results of operations, and we may be exposed to risks and costs associated with protecting the integrity and security of our clients' information.

We depend largely upon our information technology systems in the conduct of all aspects of our operations, many of which we are in the midst of replacing or implementing. Our ability to effectively manage our business and coordinate the manufacturing, sourcing, distribution and sale of our products depends significantly on the reliability and capacity of these systems. We also rely on information technology systems to effectively manage, among other things, our business data, communications, summarizing and reporting results of operations, human resources benefits and payroll management, compliance with regulatory, legal and tax

requirements and other processes and data necessary to manage our business. The future operation, success and growth of our business depends on streamlined processes made available through information systems, global communications, internet activity and other network processes.

Our information technology systems may be subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, and natural disasters. In addition, damage or interruption can also occur as a result of non-technical issues, including vandalism, catastrophic events, and human error. Damage or interruption to our information systems may require a significant investment to fix or replace the affected system, and we may suffer interruptions in our operations in the interim. Our existing safety systems, data backup, access protection, user management and information technology emergency planning may not be sufficient to prevent data loss or long-term network outages. In addition, these systems can be complex to develop, maintain, upgrade and protect against emerging threats, and we may fail to adequately hire or retain adequate personnel to manage our information systems, accurately gauge the level of financial and managerial resources to invest in our information systems, or realize the anticipated benefits of resources invested in our information systems particularly as our business changes as a result of the many initiatives that we are pursuing. Any material interruptions or failures in our systems or the products or systems of our third party vendors or other third parties that we share data with may have a material adverse effect on our reputation, business, financial condition, or results of operations.

No company can be entirely free of vulnerability to attack or compromise given that the techniques used to obtain unauthorized access, disable or degrade service change frequently. During the normal course of business, we have experienced and expect to continue to experience attempts to compromise our information systems. Security incidents compromising the confidentiality, integrity, and availability of our confidential or personal information or other information related to our clients and our and our third-party service providers' information technology systems could result from cyber-attacks, computer malware, viruses, social engineering (including spear phishing and ransomware attacks), credential stuffing, supply chain attacks, efforts by individuals or groups of hackers and sophisticated organizations, including state-sponsored organizations, errors or malfeasance of our personnel, and security vulnerabilities in the software or systems on which we and our third party service providers rely. Moreover, we and our third-party service providers may be more vulnerable to such attacks in remote work environments, which have increased in response to the COVID-19 pandemic, and some of our vendors may be particularly vulnerable to the extent their employees work remotely. As techniques used by cyber criminals change frequently, a disruption, cyberattack or other security breach of our information technology systems or infrastructure, or those of our third-party service providers, may go undetected for an extended period and could result in the theft, transfer, unauthorized access to, disclosure, modification, misuse, loss or destruction of our employee, representative, customer, vendor, consumer and/or other third-party data, including sensitive or confidential data, personal information, payment card data and/or intellectual property. We cannot guarantee that our security efforts will prevent breaches or breakdowns of the Company's or its third-party service providers' information technology systems. In addition, our information systems are a target of cyberattacks and although the incidents that we have experienced to date have not had a material effect. If we suffer a material loss or disclosure of personal or confidential information as a result of a breach of our information technology systems, including those of our third-party service providers, we may suffer reputational, competitive and/or business harm, incur significant costs and be subject to government investigations, litigation, fines and/or damages, which could have a material adverse effect on our business, prospects, results of operations, financial condition and/or cash flows. Moreover, while we maintain cyber insurance that may help provide coverage for these types of incidents, we cannot assure you that our insurance will be adequate to cover costs and liabilities related to these incidents and may still suffer losses that could have a material adverse effect on our business. We expect to incur ongoing costs associated with the detection and prevention of cyber threats and any remediation efforts may not be successful and could result in interruptions to our operations.

In addition, our information systems can face risks to the extent we acquire new businesses but are not able to quickly or comprehensively integrate such acquired businesses into our policies and procedures for addressing cybersecurity risks or identify and address weaknesses in such acquired entity's information systems,

which risks may be compounded to the extent the information systems of an acquired entity are integrated with ours, thus providing access to a broader set of sensitive client information through a compromised network at the acquired entity level. If a computer hacker or other third party is able to circumvent our security measures, he or she could destroy or steal valuable information or disrupt our operations. Any successful breaches or attempted intrusions could result in increased information systems costs and potential reputational damage, which could materially adversely affect our reputation, business, financial condition, and results of operations. Additionally, in order for our business to function successfully, we and other vendors and third parties must be able to handle and transmit confidential and personal information securely, including in client orders placed through our website and the success of our e-commerce operations depends on the secure transmission of confidential and personal information over public networks, including the use of cashless payments. That information includes data about our clients as well as sensitive information about our vendors and workforce, including social security numbers and bank account information. If our systems, or those of our third party service providers, are damaged, misappropriated, interrupted or subject to unauthorized access, information about our clients, vendors or workforce could be stolen or misused. Any failure on the part of us or our third party service providers to maintain the security of this confidential data and personal information, including via the penetration of our network security (or those of our third party service providers) and the misappropriation of confidential and personal information, could result in business disruption, damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation, any or all of which could result in the Company incurring potentially substantial costs. Such events could also result in the deterioration of confidence in the Company by employees, consumers and customers and cause other competitive disadvantages.

Furthermore, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting additional state and federal proposals addressing data privacy and security. As the data privacy and security laws and regulations evolve, we may be subject to more extensive requirements to protect the client information that we process in connection with the purchases of our products. Our failure to successfully respond to these risks and uncertainties could reduce website sales and have a material adverse effect on our reputation, business, financial condition, or results of operations.

We are required to comply with payment card network operating rules and any material modification of our payment card acceptance privileges could have a material adverse effect on our business, results of operations, and financial condition.

Because we accept debit and credit cards for payment, we are subject to the Payment Card Industry Data Security Standard, or the PCI Standard issued by the Payment Card Industry Security Standards Council, with respect to payment card information. The PCI Standard contains compliance guidelines with regard to our security surrounding the physical and electronic storage, processing and transmission of cardholder data. Compliance with the PCI Standard and implementing related procedures, technology and information security measures requires significant resources and ongoing attention. Costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology, such as those necessary to achieve compliance with the PCI Standard or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our payment-related systems could have a material adverse effect on our business, results of operations and financial condition. If there are amendments to the PCI Standard, the cost of re-compliance could also be substantial and we may suffer loss of critical data and interruptions or delays in our operations as a result.

In addition to the PCI Standard, our payment processors may require us to comply with other payment card network operating rules, which are set and interpreted by the payment card networks. These rules and standards govern a variety of areas, including how consumers and clients may use their cards, the security features of cards, security standards for processing, data security and allocation of liability for certain acts or omissions, including liability in the event of a data breach. The payment card networks may change these rules and standards from time to time as they may determine in their sole discretion and with or without advance notice to their participants. These changes may be made for any number of reasons. If the payment card networks

adopt new operating rules or interpret or reinterpret existing rules in ways that that we or our payment processors find difficult or even impossible to comply with, or costly to implement, it could have a significant impact on our business and financial results.

Further, changes in the payment card network rules regarding chargebacks may affect our ability to dispute chargebacks and the amount of losses we incur from chargebacks. If we fail to make required changes or otherwise fail to comply with the rules and regulations adopted by the payment card networks, including the PCI Standard, we would be in breach of our contractual obligations to payment processors and merchant banks, may be required to reimburse our payment processors for fines and assessments imposed by payment card networks in respect of fraud or chargebacks or be disqualified from processing transactions if satisfactory controls are not maintained. We do not currently carry insurance against this risk. To date, we have experienced minimal losses from credit card fraud, but we face the risk of significant losses from this type of fraud as our net sales increase.

If we are unable to comply with the security standards established by banks and the payment card industry, we may be subject to fines, penalties, damages, civil liability, suspension of registration, restrictions and expulsion from card acceptance programs, which could adversely affect our retail operations. Further, there is no guarantee that, even if we comply with the rules and regulations adopted by the payment card networks, we will be able to maintain our payment card acceptance privileges. We also cannot guarantee that our compliance with network rules, including the PCI Standard, will prevent illegal or improper use of our payments platform or the theft, loss, or misuse of the credit card data of customers or participants, or a security breach.

Our collection, use, storage, disclosure, transfer and other processing of personal information could give rise to significant costs and liabilities, including as a result of governmental regulation, uncertain or inconsistent interpretation and enforcement of legal requirements or differing views of personal privacy rights, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

We collect, use, process and store personal information and other data relating to individuals, such as our clients, artisan partners, and employees. As we seek to expand our business, we are, and may increasingly become subject to various laws, regulations and standards, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. These laws, regulations, and standards are continuously evolving and may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material adverse effect on our reputation, business, financial condition and results of operations.

Domestic privacy and data security laws are complex and changing rapidly. Within the United States, many states are considering adopting, or have already adopted, privacy regulations. For example, the CCPA, which took effect on January 1, 2020, gives California residents expanded rights related to their personal information, including the right to access and delete their personal information, and receive detailed information about how their personal information is used and shared. The CCPA also created restrictions on “sales” of personal information that allow California residents to opt-out of certain sharing of their personal information and may restrict the use of cookies and similar technologies for advertising purposes. The CCPA prohibits discrimination against individuals who exercise their privacy rights, provides for civil penalties for violations, and creates a private right of action for certain data breaches that is expected to increase data breach litigation. Many of the CCPA’s requirements as applied to personal information of a business’s personnel and related individuals are subject to a moratorium set to expire on January 1, 2023. The expiration of the moratorium may increase our compliance costs and our exposure to public and regulatory scrutiny, costly litigation, fines and penalties. Additionally, California voters recently approved a ballot measure adopting the California Privacy Rights Act, or CPRA, which will substantially expand the requirements of the CCPA effective January 1, 2023. The CPRA will restrict use of certain categories of sensitive personal information that we handle, further restrict the use of cross-context behavioral advertising techniques on which our platform relies, establish restrictions on the retention of personal information, expand the types of data breaches subject to the private right of action, and establish the California Privacy Protection Agency to implement and enforce the new law and impose administrative fines.

Further, on March 2, 2021, the Governor of Virginia signed into law the Virginia Consumer Data Protection Act, or the VCDPA. The VCDPA creates consumer rights, similar to the CCPA, but also imposes security and assessment requirements for businesses. In addition, on July 7, 2021, Colorado enacted the Colorado Privacy Act, or COCPA, becoming the third comprehensive consumer privacy law to be passed in the United States (after the CCPA and VCDPA). The COCPA closely resembles the VCDPA, and will be enforced by the respective states' Attorney General and district attorneys, although the two differ in many ways and once they become enforceable in 2023, we must comply with each if our operations fall within the scope of these newly enacted comprehensive mandates. Similar laws have been proposed in other states and at the federal level, reflecting a trend toward more stringent privacy legislation in the United States. The enactment of such laws could have potentially conflicting requirements that would make compliance challenging.

Our communications with our customers are subject to certain laws and regulations, including the Controlling the Assault of Non-Solicited Pornography and Marketing, or CAN-SPAM, Act of 2003, the Telephone Consumer Protection Act of 1991, or the TCPA, and the Telemarketing Sales Rule and analogous state laws, that could expose us to significant damages awards, fines and other penalties that could materially impact our business. For example, the TCPA imposes various consumer consent requirements and other restrictions in connection with certain telemarketing activity and other communication with consumers by phone, fax or text message. The CAN-SPAM Act and the Telemarketing Sales Rule and analogous state laws also impose various restrictions on marketing conducted use of email, telephone, fax or text message. As laws and regulations, including FTC enforcement, rapidly evolve to govern the use of these communications and marketing platforms, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations could adversely impact our business, financial condition and results of operations or subject us to fines or other penalties.

In addition, some laws may require us to notify governmental authorities and/or affected individuals of data breaches involving certain personal information or other unauthorized or inadvertent access to or disclosure of such information. We may need to notify governmental authorities and affected individuals with respect to such incidents. For example, laws in all 50 U.S. states may require businesses to provide notice to consumers whose personal information has been disclosed as a result of a data breach. These laws are not consistent, and compliance in the event of a widespread data breach may be difficult and costly. We also may be contractually required to notify consumers or other counterparties of a security breach. Regardless of our contractual protections, any actual or perceived security breach or breach of our contractual obligations could harm our reputation and brand, expose us to potential liability or require us to expend significant resources on data security and in responding to any such actual or perceived breach.

Consumer resistance to the collection and sharing of the data used to deliver targeted advertising, increased visibility of consent or "do not track" mechanisms as a result of industry regulatory or legal developments, the adoption by consumers of browser settings or "ad-blocking" software, and the development and deployment of new technologies could materially impact our ability to collect data or engage in marketing and advertising, which could have an adverse effect on our business, financial condition or results of operations.

We are also subject to the terms of our privacy policies and notices and may be bound by contractual requirements applicable to our collection, use, processing and disclosure of personal information, and may be bound by or alleged to be subject to, or voluntarily comply with, self-regulatory or other industry standards relating to these matters. Any failure or perceived failure by us or any third parties with which we do business to comply with our privacy policies or with other privacy-related obligations to which we or such third parties are or may become subject, may result in investigations or enforcement actions against us by governmental entities, private claims, public statements against us by consumer advocacy groups or others, and fines, penalties or other liabilities. For example, California consumers whose information has been subject to a security incident may bring civil suits under the CCPA, for statutory damages between $100 and $750 per consumer. Any such action would be expensive to defend, likely would damage our reputation and market position, could result in substantial liability and could adversely affect our business and results of operations.

In addition, to the extent we expand our operations as a result of engaging in new business initiatives or product lines, or expanding into new markets, we may become subject to new laws and regulations pertaining to privacy, data protection and data security, which are undergoing rapid change and have become increasingly stringent in recent years. Many of these countries are also beginning to impose or increase restrictions on the transfer of personal information to other countries. Restrictions relating to privacy, data protection, and data security in these countries may limit the products and services we can offer in them, which in turn may limit demand for our services in such countries and our ability to enter into and operate in new geographic markets.

Despite our efforts, we may not be successful in complying with the rapidly evolving privacy, data protection, and data security requirements discussed above. Any actual or perceived non-compliance with such requirements could result in litigation and proceedings against us by governmental entities, customers, or others, fines, civil or criminal penalties, limited ability or inability to operate our business, offer services, or market our platform in certain jurisdictions, negative publicity and harm to our brand and reputation, and reduced overall demand for our platform. Such occurrences could have a material adverse effect on our reputation, business, financial condition or results of operations.

Risks Related to Our Indebtedness

We are party to a revolving credit facility that contains covenants, which may restrict our current and future operations and could adversely affect our ability to execute our business needs.

Our $30.0 million revolving credit facility that is subject to a borrowing base availability calculation, or the Revolving Credit Facility, with Wingspire Capital LLC, as administrative agent, and the lenders party thereto, contains covenants that limit our ability to, among other things, incur other indebtedness, create liens, make investments, merge with other companies, dispose of assets, prepay other indebtedness, enter into swap agreements, close more than 10 retail Showrooms (net of openings of new retail Showrooms) and make dividends and other distributions. The terms of the Revolving Credit Facility may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute business strategies in the means or manner desired. Further, complying with these covenants could make it more difficult for us to successfully execute our business strategy, invest in our growth strategy and compete against our competitors who may not be subject to such restrictions. In addition, we may not be able to generate sufficient cash flow to meet the financial covenants or pay the principal or interest thereunder.

If we are unable to comply with our payment requirements, our lender may accelerate our obligations under the Revolving Credit Facility and foreclose upon the collateral, or we may be forced to sell assets, restructure our indebtedness or seek additional equity capital, which would dilute our stockholders' interests. If we fail to comply with our covenants under the Revolving Credit Facility, it could result in an event of default thereunder and our lenders could accelerate the entire indebtedness, which could cause us to be unable to repay our debt or borrow sufficient funds to refinance it. Even if new financing is available, it may be on terms that are unfavorable to us.

We may be unable to secure additional financing on favorable terms, or at all, to meet our future capital needs, which in turn could impair our growth.

We intend to continue to grow our business, which could require additional capital to expand our distribution, improve our operating infrastructure or finance working capital requirements. Accordingly, we may need to engage in additional equity or debt financings to secure additional capital. If we raise additional capital through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we may issue could have rights, preferences and privileges superior to those holders of our Class A common stock. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters,

which could make it more difficult for us to raise additional capital and to pursue our growth strategies. If we are unable to secure additional funding on favorable terms, or at all, when we need it, our business may be materially adversely affected.

Risks Related to the Offering and Ownership of our Class A Common Stock

The dual class structure of our common stock has the effect of concentrating voting power with our Founder and the Founder Family Trusts, which could give our Founder and the Founder Family Trusts substantial control over us after the consummation of this offering, including over matters that require the approval of stockholders under our certificate of incorporation and applicable law or stock exchange rules, and their interests may conflict with ours or yours.

Each share of our Class B common stock entitles its holders to ten votes per share on all matters presented to our stockholders generally, while each share of our Class A common stock entitles its holders to one vote per share on all matters presented to our stockholders generally. Our Founder and the Class B Trusts will control the voting power of all of the outstanding Class B common stock immediately following this offering. Our Founder will beneficially hold approximately % of our outstanding capital stock but will control approximately % of the voting power of our outstanding capital stock following the completion of this offering. The Founder Family Trusts will beneficially hold approximately % of our outstanding capital stock but will control approximately % of the voting power of our outstanding capital stock following the completion of this offering. The current independent co-trustees of the Founder Family Trusts, Albert Adams and Bill Beargie, are also directors of Arhaus, LLC and will be our directors following the completion of this offering. Our Founder does not have the right to direct or control the voting of the shares of Class B common stock that are held by the Founder Family Trusts, and the independent co-trustees have sole voting and dispositive power over the Class B common stock held by the Founder Family Trusts. However, our Founder is the settlor of the Founder Family Trusts and is related to a majority of the beneficiaries of the Founder Family Trusts, and his views may be taken into account by the co-trustees and others related to the Founder Family Trusts.

Further, the investor rights agreement that will be in effect after the completion of this offering will contain agreements among the Freeman Spogli Funds, the Founder and the Class B Trusts with respect to the voting on the election of directors and board committee membership. Other than the investor rights agreement, we are not aware of any other voting agreement among the Class B Trusts and/or our Founder, but if such a voting agreement or similar arrangement exists or were to be consummated, or if all or some of the Class B Trusts and our Founder were to act in concert, our Founder and the Class B Trusts would have the ability to control our management and affairs and determine the outcome of all matters requiring stockholder approval, including mergers and other material transactions, even if their stock holdings represent less than 50% of the outstanding shares of our capital stock, and would be able to cause or prevent a change in the composition of our board of directors or a change in control of our company that could deprive our stockholders of an opportunity to receive a premium for their Class A common stock as part of any sale of the Company and might ultimately affect the market price of our Class A common stock. Accordingly, our Founder and the Class B Trusts may approve transactions that may not be in the best interests of holders of our Class A common stock or, conversely, prevent the consummation of transactions that may be in the best interests of holders of our Class A common stock.

In addition, future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. Further, the shares of Class B common stock will automatically convert into shares of Class A common stock on the earliest to occur of (i) twelve months after the death or incapacity of our Founder, and (ii) the date upon which the then outstanding shares of Class B common stock first represent less than 10% of the voting power of the then outstanding shares of Class A common stock and Class B common stock.

The concentration of ownership could deprive stockholders of an opportunity to receive a premium for shares of our Class A common stock as part of a sale of the Company and ultimately might affect the market price of our Class A common stock.

The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock, in adverse publicity or other adverse consequences. For example, S&P Dow Jones and FTSE Russell have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares of common stock. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A common stock in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our Class A common stock. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock. In addition, given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price for our Class A common stock could be adversely affected.

Delaware law may protect decisions of our board of directors that have a different effect on holders of our Class A common stock and Class B common stock.

Stockholders may not be able to challenge decisions that have an adverse effect upon holders of our Class A common stock compared to holders of our Class B common stock if our board of directors acts in a disinterested, informed manner with respect to these decisions, in good faith and in the belief that it is acting in the best interests of our stockholders. Delaware law generally provides that a board of directors owes an equal duty to all stockholders, regardless of class or series, and does not have separate or additional duties to different groups of stockholders, subject to applicable provisions set forth in a corporation's certificate of incorporation and general principles of corporate law and fiduciary duties.

Our anti-takeover provisions could prevent or delay a change in control of the Company, even if such change in control would be beneficial to our stockholders.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as they will be in effect upon completion of this offering, as well as provisions of Delaware law, could discourage, delay or prevent a merger, acquisition or other change in control of our Company, even if such change in control would be beneficial to our stockholders. These provisions include:

- authorizing the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- the removal of directors only for cause;
- prohibiting the use of cumulative voting for the election of directors;
- limiting the ability of stockholders to call special meetings or amend our bylaws;

- establishing advance notice and duration of ownership requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and

- the ability of our board of directors upon majority vote to amend or repeal our bylaws.

These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause us to take other corporate actions as such stockholders may desire. In addition, because our board of directors is responsible for appointing our executive officers, these provisions could in turn affect any attempt by our stockholders to replace current executive officers.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the price of our Class A common stock.

Our amended and restated certificate of incorporation will authorize us to issue one or more series of preferred stock. Our board of directors will have the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of preferred stock or unreserved common stock may delay or prevent a change in control of us, discourage bids for our Class A common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our Class A common stock.

There has been no prior market for our Class A common stock. A sufficiently active trading market for our Class A common stock may not develop or be maintained, and you may not be able to resell your shares at or above the initial public offering price.

Before this offering, there has been no public market for shares of our Class A common stock. Although we have applied to list our Class A common stock on Nasdaq, a sufficiently active trading market for our shares may never develop or be sustained following this offering. In addition, we cannot assure you as to the liquidity of any such market that may develop or the price that our stockholders may obtain for their shares of our Class A common stock. The initial public offering price of our Class A common stock will be determined through negotiations between us and the qualified independent underwriter. This initial public offering price may not be indicative of the market price of our Class A common stock after this offering. In the absence of a sufficiently active trading market for our Class A common stock, investors may not be able to sell their Class A common stock at or above the initial public offering price or at the time that they would like to sell. As a result, you could lose all or part of your investment.

The market price of our Class A common stock may be volatile, and you may be unable to sell your shares of Class A common stock at or above the initial public offering price, if at all.

The initial offering price of our Class A common stock may not be indicative of prices that will prevail in the trading market. The market price of our Class A common stock may fluctuate substantially due to a variety of factors, including:

- our quarterly or annual earnings, or those of other companies in our industry;

- actual or anticipated fluctuations in our results of operations;

- differences between our actual financial and operating results and those expected by investors and analysts;

- changes in analysts' recommendations or estimates or our ability to meet those estimates;
- the prospects of our competition and of the furniture industry;
- changes in general valuations for companies in our industry; and
- changes in business, legal or regulatory conditions, or other general economic or market conditions and overall market fluctuations.

In particular, the realization of any of the risks described in these "Risk Factors" or under "Cautionary Note Regarding Forward-Looking Statements" could have a material adverse effect on the market price of our Class A common stock in the future and cause the value of your investment to decline. In addition, the stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. These types of broad market fluctuations may adversely affect the trading price of our Class A common stock. If the market price of our Class A common stock after this offering does not exceed the initial offering price, you may not realize a return on your investment in us and may lose some or all of your investment. In the past, stockholders of other companies have sometimes instituted securities class action litigation against issuers following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and our other resources and could have a material adverse effect on our business, financial condition, results of operations and prospects. There is no assurance that such a suit will not be brought against us.

Our directors who have relationships with Freeman Spogli & Co. may have conflicts of interest with respect to matters involving us.

Following this offering, two of our nine directors will be affiliated with Freeman Spogli & Co., or Freeman Spogli, and Freeman Spogli affiliated entities will own % of the Class A common stock. These persons will have fiduciary duties to both us and Freeman Spogli. As a result, they may have real or apparent conflicts of interest on matters affecting both us and Freeman Spogli. As described under "Description of Capital Stock," our amended and restated certificate of incorporation will provide that the doctrine of "corporate opportunity" will not apply with respect to Freeman Spogli or certain related parties or any of our directors who are employees of Freeman Spogli or its affiliates such that Freeman Spogli and its affiliates will be permitted to invest in competing businesses or do business with our customers. Under the amended and restated certificate of incorporation, subject to the limitations set forth therein, Freeman Spogli is not required to tell us about a corporate opportunity, may pursue that opportunity for itself or it may direct that opportunity to another person without liability to our stockholders. To the extent they invest in such other businesses, Freeman Spogli may have differing interests than our other stockholders.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our Class A common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including:

- not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and

- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation or golden parachute payments not previously approved.

We could be an emerging growth company for up to five years following the completion of this offering. Our status as an emerging growth company will end as soon as any of the following takes place:

- the last day of the fiscal year in which we have $1.07 billion or more in annual revenue;
- the date we qualify as a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates;
- the date on which we have issued, in any three-year period, more than $1.0 billion in non-convertible debt securities; or
- the last day of the fiscal year ending after the fifth anniversary of the completion of this offering.

We cannot predict if investors will find our Class A common stock less attractive if we choose to rely on any of the exemptions afforded emerging growth companies. If some investors find our Class A common stock less attractive because we rely on any of these exemptions, there may be a less active trading market for our Class A common stock and the market price of our Class A common stock may be more volatile.

Further, the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a registration statement under the Securities Act declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act) are required to comply with the new or revised financial accounting standards. We have elected to use this extended transition period.

We will be a "controlled company" within the meaning of Nasdaq rules and we will qualify for and may rely on exemptions from certain corporate governance requirements.

Because our Founder, the Class B Trusts and the Freeman Spogli Funds have entered into the investor rights agreement governing certain voting arrangements with respect to more than a majority of the total voting power of our common stock following this offering, we will be a "controlled company" within the meaning of Nasdaq rules. Under these rules, a company of which more than 50% of the voting power with respect to the election of directors is held by another person or group of persons acting together is a "controlled company" and may elect not to comply with certain stock exchange rules regarding corporate governance, including the following requirements:

- that a majority of its board of directors consist of independent directors;
- that its director nominees be selected or recommended for the board's selection by a majority of the board's independent directors in a vote in which only independent directors participate or by a nominating committee comprised solely of independent directors, in either case, with a formal written charter or board resolutions, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws; and
- that its compensation committee be composed solely of independent directors with a written charter addressing the committee's purpose and responsibilities.

If we elect to be treated as a controlled company and use these exemptions, you may not have the same protections afforded to stockholders of companies that are subject to all of Nasdaq rules regarding corporate governance, which could make our Class A stock less attractive to investors or otherwise harm our stock price.

Future sales of shares of Class A common stock, or the perception in the public market that such sales may occur, could adversely affect the market price of our Class A common stock. Our stockholders could be diluted by such future sales and be further diluted upon the conversion of Class B common stock into Class A common stock.

Future sales of our shares could adversely affect the market price of our Class A common stock. If our existing stockholders sell a large number of shares, or if we issue a large number of shares of our common stock in connection with future acquisitions, strategic alliances, third-party investments and private placements or otherwise, the market price of our Class A common stock could decline significantly. Moreover, the perception in the public market that these stockholders might sell shares could depress the market price of our Class A common stock.

In the aggregate, our Founder will beneficially own shares of our Class B common stock after this offering, and the Founder Family Trusts will, in the aggregate, beneficially own shares of Class B common stock after this offering, representing all of the outstanding shares of Class B common stock. The shares of Class B common stock beneficially owned by our Founder after this offering will represent approximately % of our total voting power, assuming that the underwriters do not exercise their option to purchase additional shares of Class A common stock in this offering, and approximately % of our total voting power, assuming that the underwriters exercise in full their option to purchase additional shares of Class A common stock in this offering. The shares of Class B common stock beneficially owned by the Founder Family Trusts after this offering will represent, in the aggregate, approximately % of our total voting power, assuming that the underwriters do not exercise their option to purchase additional shares of Class A common stock in this offering, and approximately % of our total voting power, assuming that the underwriters exercise in full their option to purchase additional shares of Class A common stock in this offering.

Each of our Founder and the Founder Family Trusts may sell all or a portion of shares of Class A common stock to the public or Class A common stock or Class B common stock in one or more private transactions after the expiration of the "lock-up" restriction (which is 180 days after completion of this offering) contained in the agreement with the underwriters and described under "Underwriting."

Moreover, the shares of our Class A common stock sold in this offering will be freely tradable without restriction, except for any shares acquired by an affiliate of ours, which shares can be sold under Rule 144 under the Securities Act, subject to various volume and other limitations. Subject to certain limited exceptions, we, our executive officers and directors, our Founder, the Class B Trusts, and the selling stockholders have agreed with the underwriters not to sell, dispose of or hedge any shares of our Class A common stock or securities convertible into or redeemable for shares of our Class A common stock without the prior written consent of the representatives of the underwriters for the period ending 180 days after the date of this prospectus. After the expiration of the 180-day "lock-up" restriction, our executive officers and directors, our Founder, the Class B Trusts and the selling stockholders could dispose of all or any part of their shares of our Class A common stock through a public offering, sales under Rule 144 or other transactions. In addition, certain of the underwriters may, in their sole discretion, release all or some portion of the shares subject to lock-up agreements at any time and for any reason. Sales of a substantial number of such shares upon expiration of the lock-up restriction and market stand-off agreements, the perception that such sales may occur, or early release of these agreements, could cause our market price to fall or make it more difficult for you to sell your Class A common stock at a time and price that you deem appropriate.

Any such potential sale, disposition or distribution of our common stock, or the perception that such sale, disposition or distribution could occur, could adversely affect prevailing market prices for our Class A common stock.

Delaware law and our corporate organizational and governing documents impose various impediments to the ability of a third party to acquire control of us, which could deprive our investors of the opportunity to receive a premium for their shares.

We are a Delaware corporation, and the anti-takeover provisions of the Delaware General Corporation Law, or the DGCL, our amended and restated certificate of incorporation, and our amended and restated bylaws, as they will be in effect upon consummation of this offering, will impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our stockholders.

These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our board of directors the power to discourage acquisitions that some stockholders may favor.

Our amended and restated bylaws will provide that a majority of our stockholders or a majority of our board of directors may call special meetings of our stockholders. Our amended and restated certificate of incorporation will also permit the issuance without stockholder approval of authorized but unissued shares of common stock and preferred stock.

Our amended and restated bylaws will require advanced notice and duration requirements for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to our board of directors. Stockholders at an annual meeting may consider only proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a qualified stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary. Further, our amended and restated bylaws will provide that our bylaws may be amended or repealed by a majority vote of our board of directors or by the affirmative vote of a majority of the votes which all our stockholders would be eligible to cast in an election of directors.

The foregoing factors, as well as the significant common stock ownership by our Founder, could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our Class A common stock that could result in a premium over the market price for shares of Class A common stock.

We do not currently expect to pay dividends on our Class A common stock.

Following the completion of this offering, we currently intend to retain any future earnings and do not expect to pay any cash dividends on our Class A common stock in the foreseeable future. Additionally, because we are a holding company, our ability to pay cash dividends on our Class A common stock depends on our receipt of cash distributions from our direct and indirect wholly owned subsidiaries, including Arhaus, LLC. Furthermore, our ability to pay any cash dividends on our Class A common stock is limited by restrictions on the ability of Arhaus, LLC and our other subsidiaries to pay dividends or make distributions under the terms of our existing debt agreement. We expect these restrictions to continue in the future, which may in turn limit our ability to pay dividends on our Class A common stock. Any future determination to pay dividends, if any, will be at the discretion of our board of directors and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant. Accordingly, if you purchase shares in this offering, realization of a gain on your investment may depend solely on the appreciation of the price of our Class A common stock, which may never occur.

If you purchase shares of our Class A common stock in this offering, you will incur immediate and substantial dilution.

The offering price of our Class A common stock is substantially higher than the net tangible book value per share of our Class A common stock, which on a pro forma basis was $ per share of our Class A common stock as of June 30, 2021. As a result, you will incur immediate and substantial dilution in net tangible book value when you buy our Class A common stock in this offering. This means that you will pay a higher price per share than the amount of our total tangible assets, less our total liabilities, divided by the number of shares of all of our common stock outstanding. In addition, you may also experience additional dilution if options or other rights to purchase our Class A common stock that are outstanding or that we may issue in the future are exercised or converted or if we issue additional shares of our Class A common stock at prices lower than our net tangible book value at such time. See "Dilution."

Our amended and restated certificate of incorporation will provide for an exclusive forum in the Court of Chancery of the State of Delaware for certain disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, in the event that the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of fiduciary duty, any action asserting a claim against us arising pursuant to the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws, any action to interpret, apply or enforce or determine the validity of our amended and restated certificate of incorporation or amended and restated bylaws, any action as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware, or any action asserting a claim against us that is governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction; and provided further that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware. Our amended and restated certificate of incorporation will also provide that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause or causes of action against any defendant arising under the Securities Act, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision. Such provision is intended to benefit and may be enforced by us, our officers and directors, employees and agents, including the underwriters and any other professional or entity who has prepared or certified any part of this prospectus. Nothing in our amended and restated certificate of incorporation precludes stockholders that assert claims under the Exchange Act from bringing such claims in state or federal court, subject to applicable law.

We believe these provisions may benefit us by providing increased consistency in the application of Delaware law and federal securities laws by chancellors and judges, as applicable, particularly experienced in resolving corporate disputes, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi-forum litigation. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims or make such lawsuits more costly for stockholders, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. Furthermore, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. While the Delaware courts have determined that such choice of forum provisions

are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive-forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find the choice of forum provision that will be contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

The requirements of being a public company may strain our resources, result in more litigation and divert management's attention.

As a public company, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, the listing requirements of Nasdaq and other applicable securities rules and regulations. Complying with these rules and regulations has increased and will increase our legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are required to disclose changes made in our internal control and procedures on a quarterly basis. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. We may also need to hire additional employees or engage outside consultants to comply with these requirements, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

These new rules and regulations may make it more expensive for us to obtain director and officer liability insurance and, in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

By disclosing information in this prospectus and in future filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If those claims are successful, our business could be seriously harmed. Even if the claims do not result in litigation or are resolved in our favor, the time and resources needed to resolve them could divert our management's resources and seriously harm our business.

General Risks

Our operations present risks which may not be fully covered by insurance.

We carry comprehensive insurance against the hazards and risks underlying our operations. We believe our insurance policies are customary in the industry; however, some losses and liabilities associated with our operations may not be covered by our insurance policies. In addition, there can be no assurance that we will be able to obtain similar insurance coverage on favorable terms (or at all) in the future. Significant uninsured losses and liabilities could have a material adverse effect on our financial condition and results of operations. Furthermore, our insurance is subject to deductibles. As a result, certain large claims, even if covered by insurance, may require a substantial cash outlay by us, which could have a material adverse effect on our financial condition and results of operations.

If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, or if there is any fluctuation in our credit rating, our stock price and trading volume could decline.

The trading market for our Class A common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Securities and industry analysts do not currently, and may never, publish research on our company. If no securities or industry analysts commence coverage of us, the trading price of our shares would likely be negatively impacted. Furthermore, if one or more of the analysts who do cover us downgrade our stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts stops covering us or fails to publish reports on us regularly, we could lose visibility in the market, which, in turn, could cause our stock price or trading volume to decline.

Additionally, any fluctuation in the credit rating of us or our subsidiaries may impact our ability to access debt markets in the future or increase our cost of future debt, which could have a material adverse effect on our operations and financial condition, which in return may adversely affect the trading price of shares of our Class A common stock.

As a public reporting company, we will be subject to the Nasdaq rules and the rules and regulations established from time to time by the SEC regarding our internal control over financial reporting. If we fail to establish and maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results, or report them in a timely manner.

Upon completion of this offering, we will become a public reporting company subject to the Nasdaq rules and the rules and regulations established from time to time by the SEC. These rules and regulations will require, among other things, that we establish and periodically evaluate procedures with respect to our internal control over financial reporting. Reporting obligations as a public company are likely to place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel.

In addition, as a public company we will be required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act so that our management can certify as to the effectiveness of our internal control over financial reporting by the time our second annual report is filed with the SEC and thereafter, which will require us to document and make significant changes to our internal control over financial reporting. Likewise, our independent registered public accounting firm will be required to provide an attestation report on the effectiveness of our internal control over financial reporting. If our management is unable to certify the effectiveness of our internal control or if our independent registered public accounting firm cannot deliver a report attesting to the effectiveness of our internal control over financial reporting, or if we identify or fail to remediate any significant deficiencies or material weaknesses in our internal control, we could be subject to regulatory scrutiny and a loss of public confidence, which could seriously harm our reputation, and the price per share of our Class A common stock could decline.

We expect to incur costs related to implementing an internal audit and compliance function in the upcoming years to further improve our internal control environment. If we identify future deficiencies in our internal control over financial reporting or if we are unable to comply with the demands that will be placed upon us as a public company, including the requirements of Section 404 of the Sarbanes-Oxley Act, in a timely manner, we may be unable to accurately report our financial results, or report them within the timeframes required by the SEC. We also could become subject to sanctions or investigations by the SEC or other regulatory authorities. Further, if we do not maintain adequate financial and management personnel, processes, and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis, our business could be adversely affected and the price per share of our Class A common stock price could decline.

We will incur significant costs as a result of operating as a public company.

Prior to this offering, we operated on a private basis. After this offering, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of Nasdaq and other applicable securities laws and regulations. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more difficult, time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. We also expect that being a public company and being subject to new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions and other regulatory action and potentially civil litigation. These factors may, therefore, strain our resources, divert management’s attention and affect our ability to attract and retain qualified board members.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements are not historical facts but are based on certain assumptions of management, which we believes to be reasonable but are inherently uncertain, and describe our future plans, strategies and expectations. Forward-looking statements can generally be identified by the use of forward-looking terminology, including, but not limited to, "may," "could," "seek," "guidance," "predict," "potential," "likely," "believe," "will," "expect," "anticipate," "estimate," "plan," "intend," "forecast," or variations of these terms and similar expressions, or the negative of these terms or similar expressions. Past performance is not a guarantee of future results or returns and no representation or warranty is made regarding future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to the following risks:

- Our reliance on third-party transportation carriers and risks associated with increased freight and transportation costs;
- Disruption in our receiving and distribution system, including a delay in the anticipated opening of our new distribution and manufacturing center;
- Our ability to obtain quality merchandise in sufficient quantities;
- Risks as a result of constraints in our supply chain;
- A failure of our vendors to meet our quality standards;
- The COVID-19 pandemic and its effect on our business;
- Declines in general economic conditions that affect consumer confidence and consumer spending that could adversely affect our revenue;
- Our ability to manage and maintain the growth rate of our business;
- Our ability to anticipate changes in consumer preferences;
- Risks related to maintaining and increasing Showroom traffic and sales;
- Our ability to compete in our market;
- Our ability to adequately protect our intellectual property;
- The possibility of cyberattacks and our ability to maintain adequate cybersecurity systems and procedures;
- Loss, corruption and misappropriation of data and information relating to clients and employees;
- Changes in and compliance with applicable data privacy rules and regulations;
- Compliance with applicable governmental regulations;
- Effectively managing our eCommerce business and digital marketing efforts; and
- Compliance with SEC rules and regulations as a public reporting company.

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this prospectus, including under “Risk Factors.” Furthermore, the potential impact of the COVID-19 pandemic on our business operations and financial results and on the world economy as a whole may heighten the risks and uncertainties that affect our forward-looking statements described above

We believe that all forward-looking statements are based upon reasonable assumptions when made. We, however, caution that it is impossible to predict actual results or outcomes or the effects of risks, uncertainties or other factors on anticipated results or outcomes and that accordingly, you should not place undue reliance on these statements, which are made only as of the date when made. We undertake no obligation to update these statements in light of subsequent events or developments.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately $, assuming a public offering price of $ per share (which is the midpoint of the offering price range set forth on the cover page of this prospectus), after deducting underwriters' discounts and commissions in connection with this offering and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares of Class A common stock offered by the selling stockholders. We have agreed to pay the expenses of the selling stockholders related to this offering other than the underwriting discounts and commissions.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming the number of offering by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds to us from this offering (i) to pay the exit fee of approximately $ million in connection with the repayment of our term loan on December 28, 2020, as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financing Transactions" and (ii) for general corporate purposes, including payment of fees and expenses in connection with this offering and to replenish working capital following the payment of the Pre-IPO Distribution to Arhaus, LLC unitholders. See "Summary—Pre-IPO Distribution" for more information about the Pre-IPO Distribution.

DIVIDEND POLICY

We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that our board of directors may deem relevant.

We are a holding company and substantially all of our operations are carried out by our wholly owned indirect subsidiary, Arhaus, LLC and its subsidiaries. Arhaus, LLC's ability to pay dividends or make distributions is limited by the Revolving Credit Facility (as defined herein), which may in turn limit our ability to declare and pay dividends on our common stock. Our ability to declare and pay dividends also may be limited by the terms of any future credit agreement or any future debt or preferred securities of ours or of our subsidiaries. Accordingly, you may need to sell your shares of Class A common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them. See "Risk Factors—Risks Related to the Offering and Ownership of our Class A Common Stock—We do not currently expect to pay dividends on our Class A common stock."

CAPITALIZATION

The following table sets forth the consolidated cash, cash equivalents and capitalization as of June 30, 2021, as follows:

- of Arhaus, LLC and its subsidiaries on an actual basis;
- of Arhaus, Inc. and its subsidiaries on a pro forma basis to give effect to (i) the Reorganization, (ii) the payment of the Pre-IPO Distribution, (iii) the filing of our amended and restated certificate of incorporation, and (iv) the issuance, including the issuance of shares of Class A common stock by us in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, after deducting underwriters' discounts and commissions and offering expenses payable by us, the application of the net proceeds therefrom as described under "Use of Proceeds."

	Actual Arhaus, LLC	Pro Forma Arhaus, Inc.(2)
Cash and cash equivalents	$ 132,945	$
Indebtedness:		
Revolving Credit Facility(1)	$ —	$
Total indebtedness	$ —	$
Total equity:		
Class A Units—20,938,265 units authorized; units issued and outstanding, actual; units issued and outstanding, pro forma Class B Units—7,488,248 units authorized; units issued and outstanding, actual; units issued and outstanding, pro forma		
Class A common stock, par value $0.001 per share; no shares authorized, issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma		
Class B common stock, par value $0.001 per share; no shares authorized, issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma		
(Accumulated deficit)/retained earnings	$ (37,037)	$
Additional paid-in capital	$ 2,097	
Total members' deficit/stockholders' equity	$ (34,940)	
Total capitalization	$ (34,940)	$

(1) For a discussion of the Revolving Credit Facility, see "Description of Certain Indebtedness." See our audited consolidated financial statements included elsewhere in this prospectus, which include all liabilities.

(2) Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, would increase or decrease each of, additional paid-in capital and total members' deficit / stockholders' equity on a pro forma basis by approximately $, assuming the number of shares offered, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriters' discounts and commissions. Each 1,000,000 share increase or decrease in the number of shares offered in this offering by us would increase or decrease each of, additional paid-in capital and total members' deficit / stockholders' equity on a pro forma basis by approximately $, assuming that the offering price per share remains at $, which is the midpoint of the offering price range set forth on the cover page of this prospectus, and after deducting the estimated underwriters' discounts and commissions.

The number of shares of common stock that will be outstanding after this offering is based on shares of Class A common stock and shares of Class B common stock outstanding as of , 2021 after giving effect to the exchange of units of Arhaus, LLC pursuant to the Reorganization and excludes:

- shares of Class A common stock reserved for future issuance under our 2021 Equity Incentive Plan; and
- shares of Class A common stock that will be restricted subject to time-based vesting.

DILUTION

If you invest in the initial public offering of our Class A common stock, your interest will be diluted to the extent of the excess of the initial public offering price per share of our Class A common stock over the pro forma net tangible book value per share of our Class A common stock after this offering. Dilution results from the fact that the per share offering price of the Class A common stock is substantially in excess of the net tangible book value per share attributable to the existing stockholders.

As of June 30, 2021, our pro forma net tangible book value (deficit) was approximately $ million, or $ per share of our Class A common stock. Pro forma net tangible book value represents the amount of total tangible assets less total liabilities and pro forma net tangible book value (deficit) per share represents pro forma net tangible book value (deficit) divided by the number of shares of Class A common stock outstanding.

The following table illustrates the dilution of $ per share to new stockholders purchasing Class A common stock in this offering, assuming the underwriters do not exercise their option to purchase additional shares.

Assumed initial public offering price per share	$
Pro forma net tangible book value (deficit) per share prior to the offering as of June 30, 2021 before this offering	$
Dilution to new Class A stockholders per share	$

The following table summarizes the total number of shares of Class A common stock purchased from us, the total cash consideration paid to us and the average price per share paid by the existing stockholders and by new investors purchasing shares in this offering.

	Shares purchased		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing stockholders before this offering		%	$	%	$
New investors participating in this offering		%	$	%	$
Total		100%	$	100%	$

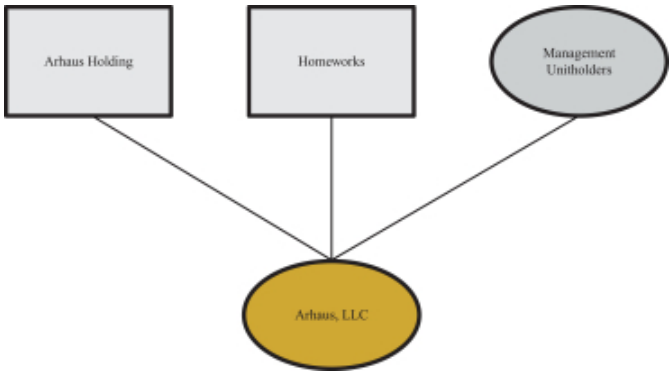
A $1.00 increase (decrease) in the assumed initial public offering price of $ per share of Class A common stock, the mid-point of the price range set forth on the cover page of this prospectus, would increase (decrease) total consideration paid by new investors in this offering and by all investors by $, assuming the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same and without deducting the estimated underwriting discounts and offering expenses payable by us in connection with this offering.

The number of shares of common stock that will be outstanding after this offering is based on shares of Class A common stock and shares of Class B common stock outstanding as of , 2021 after giving effect to the exchange of units of Arhaus, LLC pursuant to the Reorganization and excludes:

- shares of Class A common stock reserved for future issuance under our 2021 Equity Incentive Plan; and
- shares of Class A common stock that will be restricted subject to time-based vesting.

THE REORGANIZATION

Arhaus, Inc. was formed on July 14, 2021 for the purpose of consummating this offering and has not engaged in any business or other activities except in connection with its formation. Arhaus, LLC, which will be a wholly owned indirect subsidiary of us after the consummation of the Reorganization (as defined herein), is currently owned by (a) Arhaus Holding, (b) Homeworks and (c) the Management Unitholders. The diagram below provides a simplified overview of our organizational structure immediately prior to this offering:



We are undertaking a series of transactions that will be completed prior to the consummation of this offering, which we refer to, collectively, as the Reorganization. Following the Reorganization, Arhaus, Inc. will be the indirect parent of Arhaus, LLC. These transactions include:

- the amendment and restatement of our certificate of incorporation, among other things, to authorize two classes of common stock, Class A common stock and Class B common stock, each having the terms and rights described in "Description of Capital Stock"; and
- our acquisition of the units of Arhaus, LLC currently held by Arhaus Holding, Homeworks and the Management Unitholders, pursuant to the mergers and exchange described below, and the issuance in those transactions of Class A common stock to the holders of Arhaus Holding and the Management Unitholders and Class B common stock to affiliates of our Founder.

As a result of the Reorganization and after giving effect to the consummation of this offering and the use of proceeds therefrom as described herein:

- the investors in this offering, or the public stockholders, will collectively own % of the outstanding shares of Class A common stock, representing % of the voting power in Arhaus, Inc. (or % and %, respectively, if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- the former holders of Arhaus Holding will collectively own % of the outstanding shares of Class A common stock, representing % of the voting power in Arhaus, Inc. (or % and %, respectively, if the underwriters exercise in full their option to purchase additional shares of Class A common stock); and
- the former holders of Homeworks, affiliates of our Founder and the Founder Family Trusts will hold all of the shares of Class B common stock that will be outstanding upon consummation of this offering. Our Founder will have % of the voting power in Arhaus, Inc. (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock), and the Founder Family Trusts will have, in the aggregate, % of the voting power in Arhaus, Inc. (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock).

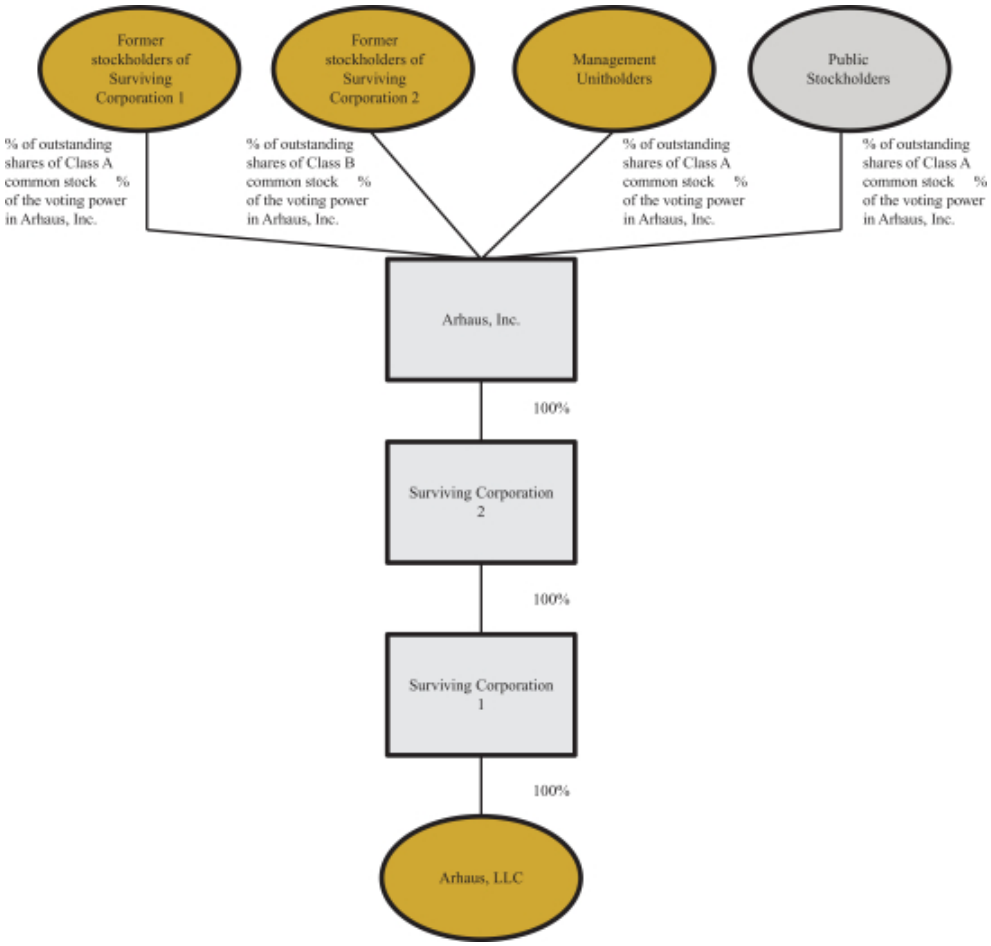
The following steps describe the transactions to be completed to effect the Reorganization:

- Step 1: We will form two wholly owned subsidiaries, Ash Merger Sub 1, Inc., or Merger Sub 1, and Ash Merger Sub 2, Inc., or Merger Sub 2.
- Step 2(a): Merger Sub 1 will merge with and into Arhaus Holding, with Arhaus Holding surviving the merger, or Surviving Corporation 1, and becoming a wholly owned subsidiary of the Company and the holders of Arhaus Holding receiving shares of Class A common stock;
- Step 2(b): Merger Sub 2 will merge with and into Homeworks, with Homeworks surviving the merger, or Surviving Corporation 2, and becoming a wholly owned subsidiary of the Company and affiliates of our Founder, the owners of Homeworks, receiving shares of Class B common stock;
- Step 2(c): The Management Unitholders will contribute their units of Arhaus, LLC to the Company in exchange for shares of Class A common stock; and
- Step 2(d): We will issue shares of our Class A common stock to the purchasers in this offering.
- Step 3: We will contribute the units of Arhaus, LLC that we own directly to Surviving Corporation 1.
- Step 4: We will contribute the capital stock of Surviving Corporation 1 to Surviving Corporation 2.
- Step 5: Surviving Corporation 2 will contribute the units of Arhaus, LLC that it owns to Surviving Corporation 1, its wholly owned subsidiary, with Arhaus, LLC becoming a wholly owned indirect subsidiary of the Company.

Organizational Structure Following this Offering and the Reorganization Transactions

Immediately following this offering, Arhaus, Inc. will be a holding company, and its sole material asset will be its ownership interest in Surviving Corporation 2. Surviving Corporation 2 will have no operations and no material assets of its own other than its ownership interest in Surviving Corporation 1, which will be a holding company with no operations and no material assets of its own other than its ownership interest in Arhaus, LLC, which will be our operating company. Arhaus, Inc. will operate and control all of the business and affairs of Arhaus, LLC. Accordingly, Arhaus, Inc. is expected to consolidate the financial results of Arhaus, LLC on its consolidated financial statements.

The diagram below provides a simplified structure of our organizational structure immediately following this offering:



UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information consists of unaudited pro forma consolidated statements of comprehensive income for the six months ended June 30, 2021 and for the fiscal year ended December 31, 2020 and an unaudited pro forma consolidated balance sheet as of June 30, 2021.

The unaudited pro forma consolidated balance sheet as of June 30, 2021 presents Arhaus, Inc.'s consolidated financial position after giving pro forma effect to the Reorganization, this offering and the use of the estimated net proceeds from this offering as described under "Use of Proceeds," which we collectively refer to as the Transactions, as if such Transactions occurred on June 30, 2021.

The unaudited pro forma consolidated statements of comprehensive income for the six months ended June 30, 2021 and for the fiscal year ended December 31, 2020 presents Arhaus, LLC's consolidated results of operations giving pro forma effect to the Reorganization, the payment of the Pre-IPO distribution, this offering and the use of the estimated net proceeds from this offering as described under "Use of Proceeds" (collectively, the "Pro Forma Transaction Adjustments"), as if such Transactions occurred on January 1, 2020.

The following unaudited pro forma consolidated financial information is prepared in conformity with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses" and is based on currently available information and certain estimates and assumptions.

The unaudited pro forma consolidated financial information is not necessarily indicative of financial results that would have been attained had the described Transactions occurred on the dates indicated above or that could be achieved in the future. The unaudited pro forma consolidated financial information also does not give effect to the potential impact of any operating synergies or cost savings that may result from the Transactions. Future results may vary significantly from the results reflected in the unaudited pro forma consolidated statements of comprehensive income and should not be relied on as an indication of our results after the consummation of the Pro Forma Transaction Adjustments. However, our management believes that the assumptions provide a reasonable basis for presenting the significant effects of the Transactions as contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma consolidated financial information.

The Reorganization and Offering

Arhaus, Inc., the issuer in this offering, was incorporated in connection with this offering to serve as a holding company that indirectly wholly owns Arhaus, LLC and its subsidiaries. Prior to this offering, through the Transactions described under "The Reorganization," the holders of limited liability company units in Arhaus, LLC will exchange their limited liability company units for Arhaus, Inc. shares of Class A common stock and shares of Class B common stock.

For purposes of the unaudited pro forma consolidated financial information presented in this prospectus, we have assumed that shares of common stock will be issued by Arhaus, Inc. at a price per share equal to the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The historical consolidated financial information has been derived from the consolidated financial statements of Arhaus, LLC and its subsidiaries and accompanying notes to the consolidated financial statements included elsewhere in this prospectus. Arhaus, Inc. was formed on July 14, 2021 and has no material assets or results of operations until the completion of this offering. Therefore, its historical financial information is not included in the unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial information should be read in conjunction with the sections of this prospectus captioned "Basis of Presentation," "The Reorganization," "Use of Proceeds," "Capitalization," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the audited consolidated financial statements and the unaudited consolidated financial statements, in each case including the related notes, included elsewhere in this prospectus. All pro forma adjustments and their underlying assumptions are described more fully in the notes to our unaudited pro forma consolidated balance sheet and unaudited pro forma consolidated statements of comprehensive income.

The unaudited pro forma consolidated financial information is included for informational purposes only and does not purport to reflect the results of operations or financial position of the Company that would have occurred had the Transactions occurred on the dates assumed. The unaudited pro forma consolidated financial information does not purport to be indicative of our results of operations or financial position had the Transactions occurred on the dates assumed. The unaudited pro forma consolidated financial information also does not project our results of operations or financial position for any future period or date.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2021
(AMOUNTS IN THOUSANDS EXCEPT UNIT AND SHARE INFORMATION)

	Arhaus, LLC	Pro Forma Transaction Adjustments		Arhaus, Inc. Pro Forma
Assets				
Current assets				
Cash and cash equivalents	$132,945		(A)	$ 32,945
			(B)	
			(E)	
		(100,000)	(F)	
Restricted cash equivalents	6,219			6,219
Accounts receivable, net	468			468
Merchandise inventory, net	136,099			136,099
Prepaid and other current assets	15,521		(B)	15,521
Total current assets	291,252	(100,000)		191,252
Property, furniture and equipment, net	123,554			123,554
Goodwill	10,961			10,961
Deferred tax asset	—	21,500	(D)	21,500
Other noncurrent assets	1,018			1,018
Total assets	$426,785	$ (121,500)		$ 348,285
Liabilities and Members' Deficit				
Current liabilities				
Current portion of capital lease obligation	$ 231			$ 231
Accounts payable	29,970			29,970
Accrued taxes	8,869			8,869
Accrued wages	10,546			10,546
Accrued other expenses	13,312			13,312
Customer deposits	226,244			226,244
Total current liabilities	289,172	—		289,172
Capital lease obligation, net of current portion	47,801			47,801
Deferred rent and lease incentives	73,676			73,676
Other long-term liabilities	51,076		(E)	51,076
Total liabilities	461,725	—		461,725
Commitments and contingencies				
Members' Deficit				
Class A units (20,938,265 units issued and outstanding as of June 30, 2021)			(C)	—
Class B units (7,488,248 units issued and outstanding as of June 30, 2021)			(C)	—
Class A shares (units issued and outstanding as of June 30, 2021)			(C)	—
Class B shares (units issued and outstanding as of June 30, 2021)			(C)	—
Accumulated deficit	(37,037)		(B)	(37,037)
Additional paid-in capital	2,097		(A)	(76,403)
			(B)	
			(C)	
		21,500	(D)	
		(100,000)	(F)	
Total members' deficit	(34,940)	(121,500)		(113,440)
Total liabilities and members' deficit	$426,785	$ (121,500)		$ 348,285

See accompanying notes to unaudited pro forma consolidated financial information.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(AMOUNTS IN THOUSANDS EXCEPT UNIT AND SHARE INFORMATION)

	Arhaus, LLC	Pro Forma Transaction Adjustments		Arhaus, Inc. Pro Forma
Net revenue	$ 355,357			$ 355,357
Cost of goods sold	207,188			207,188
Gross margin	148,169	—		148,169
Selling, general and administrative expenses	128,075			128,075
Income from operations	20,094	—		20,094
Interest expense	2,679			2,679
Loss on disposal of assets	14			14
Income before taxes	17,401	—		17,401
State and local taxes	1,204	3,198	(AA)	4,402
Net and comprehensive income	$ 16,197	$ (3,198)		$ 12,999
Net and comprehensive income per unit				
Basic and diluted	$ 0.57			
Weighted-average number of units				
Basic and diluted	28,426,513			
Pro forma net and comprehensive income per share				
Pro forma basic and diluted				$ —
Pro forma weighted-average number of shares				
Pro forma basic and diluted				—

See accompanying notes to unaudited pro forma consolidated financial information.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED December 31, 2020
(AMOUNTS IN THOUSANDS EXCEPT UNIT AND SHARE INFORMATION)

	Arhaus, LLC	Pro Forma Transaction Adjustments		Arhaus, Inc. Pro Forma
Net revenue	$ 507,429			$ 507,429
Cost of goods sold	307,925			307,925
Gross margin	199,504	—		199,504
Selling, general and administrative expenses	168,340		(BB)	168,340
			(CC)	
Income from operations	31,164	—		31,164
Interest expense	12,555			12,555
Loss on sale of assets	8			8
Income before taxes	18,601	—		18,601
State and local taxes	764	3,942	(AA)	4,706
Net and comprehensive income	$ 17,837	$ (3,942)		$ 13,895
Net and comprehensive income per unit				
Basic and diluted	$ —			
Weighted-average number of units				
Basic and diluted	—			
Pro forma net and comprehensive income per share				
Pro forma basic and diluted				$ —
Pro forma weighted-average number of shares				
Pro forma basic and diluted				—

Notes to Unaudited Pro Forma Consolidated Financial Information

1. Basis of Presentation and Description of the Transactions

The unaudited pro forma consolidated balance sheet as of June 30, 2021 assumes the Transactions occurred on June 30, 2021. The unaudited pro forma consolidated statement of comprehensive income for the six months ended June 30, 2021 and for the year ended December 31, 2020 presents the pro forma effect of the Transactions as if they occurred on January 1, 2020.

In addition, the unaudited pro forma consolidated financial information does not reflect any cost savings or operating synergies that may result from the Transaction.

The Reorganization and Offering

Arhaus, Inc., the issuer in this offering, was incorporated in connection with this offering to serve as a holding company that will indirectly wholly own Arhaus, LLC and its subsidiaries. Arhaus, Inc. has not engaged in any business or other activities other than those incidental in its formation, the Reorganization described herein and the preparation of this prospectus and the registration statement of which this prospectus forms a part.

Prior to this offering, the holders of limited liability company units in Arhaus, LLC will receive shares of Class A common stock and Class B common stock pursuant to the Reorganization and will no longer hold any units in Arhaus, LLC. The number of shares of Class A and Class B common stock that each holder of limited liability company units of Arhaus, LLC will receive will be determined based on the value that such holder would have received under the distribution provisions of the operating agreement of Arhaus, LLC with shares of common stock of Arhaus, Inc. valued by reference to the initial public offering price of shares of Arhaus, Inc. in this offering.

The unaudited pro forma consolidated financial information presented assumes the issuance of shares of our common stock to the purchasers in this offering in exchange for net proceeds of approximately $ million, assuming that the shares are offered at $ per share (the midpoint of the price range listed on the cover page of this prospectus) after deducting estimated underwriting discounts and commissions and offering expenses payable by us.

Following this offering, Arhaus, Inc. will be a holding company with no operations and no material assets of its own other than its ownership interest in Arhaus, LLC, which will be our operating company. Arhaus, Inc. will operate and control all of the business and affairs of Arhaus, LLC.

See “The Reorganization” for a description of the Reorganization and a diagram depicting our structure after giving effect to the Reorganization and this offering.

2. Adjustments to Unaudited Pro Forma Consolidated Financial Information

Adjustments included in the unaudited pro forma consolidated balance sheet as of June 30, 2021 are as follows:

(A) Represents the net proceeds of approximately $ million based on an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(B) Reflects capitalized one-time incremental direct costs associated with this offering. These costs primarily represent legal, accounting and other direct costs and are recorded in “prepaid expenses and other

current assets" on our unaudited pro forma consolidated balance sheet. Upon completion of this offering, these capitalized costs will be offset against the proceeds raised from this offering as a reduction of additional paid-in-capital. Any non-recurring incremental direct costs associated with this offering that are not capitalized will be expensed at the closing of this offering and presented as a reduction to Members' Deficit.

(C) Represents the exchange of our Class A and Class B units into shares of Arhaus, Inc. Class A and Class B common stock pursuant to the Reorganization.

(D) Arhaus, Inc. is subject to U.S. federal, state and local income taxes and will file consolidated income tax returns for U.S. federal and certain state and local jurisdictions. This adjustment reflects the recognition of deferred taxes as a result of the Reorganization using the federal statutory tax rate in effect for the respective periods and the applicable state tax rates.

We have recorded a pro forma deferred tax asset, estimated to be approximately $21.5 million at June 30, 2021, which will be recognized as a result of the contribution of Arhaus, LLC to Arhaus, Inc.

(E) Represents our use of proceeds from this offering to pay the exit fee of approximately $ in connection with our repayment of our term loan on December 28, 2020. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financing Transactions."

(F) Represents the payment of a pre-IPO cash distribution to the unitholders of Arhaus, LLC of approximately $100 million.

Adjustments included in the unaudited pro forma consolidated statement of comprehensive income for the six months ended June 30, 2021 and the year ended December 31, 2020 are as follows:

(AA) Following the Reorganization and offering, Arhaus, Inc. will be subject to US federal, state and local income taxes. As a result, the pro forma statements of comprehensive income reflect an adjustment to our provision for corporate income taxes based on statutory rates in effect during the respective periods.

The adjustment is calculated as pro forma income before income taxes multiplied by the statutory rate (amount in thousands).

	For the Six Months Ended June 30, 2021	For the Year Ended December 31, 2020
Pro forma income before taxes	$ 17,401	$ 18,601
Pro forma tax rate	25.3%	25.3%
Pro forma income tax expense	$ 4,402	$ 4,706
Historical income tax expense	$ 1,204	$ 764
Pro forma income tax expense adjustment	$ 3,198	$ 3,942

(BB) Represents non-recurring transaction-related costs of $ in connection with this offering that were not reflected in the historical consolidated statement of comprehensive income for the six months ended June 30, 2021. These non-recurring transaction-related costs are reflected as if incurred on January 1, 2020, the date this offering is deemed to have occurred for purposes of the unaudited pro forma consolidated statement of comprehensive income.

(CC) Represents the non-recurring change in the exit fee value from June 30, 2021 to September 30, 2021, of approximately $ as a result of our repayment of our term loan on December 28, 2020.

3. Earnings per Share

Pro forma earnings per share has been calculated based on the number of shares outstanding after completion of this offering, assuming such shares were outstanding for the full periods presented. The table below presents the computation of pro forma basic and dilutive earnings per share for Arhaus, Inc. for the six

months ended June 30, 2021 and for the year ended December 31, 2020 (in thousands, except per share amounts):

	For the Six Months Ended June 30, 2021	For the Year Ended December 31, 2020
Earnings per share of common stock		
Numerator:		
Net income (basic and diluted)	$	$
Denominator:		
Weighted average of shares of common stock outstanding (basic)		
Incremental common stock attributable to dilutive instruments		
Weighted average of shares of common stock outstanding (diluted)		
Basic earnings per share	$	$
Diluted earnings per share	$	$

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the "Summary Historical Consolidated Financial Data" and our consolidated financial statements and the related notes and other financial information included elsewhere in this prospectus. Some of the information included in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section titled "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements" or in other parts of this prospectus. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Arhaus is a rapidly growing lifestyle brand and premium retailer in the home furnishings market, specializing in livable luxury supported by globally sourced, heirloom quality merchandise. We offer a differentiated direct-to-consumer approach to furniture and décor. Our curated assortments are presented across our sales channels in sophisticated, family friendly and unique lifestyle settings. We offer merchandise assortments across a number of categories, including furniture, lighting, textiles, décor, and outdoor. Our products, designed to be used and enjoyed throughout the home, are sourced directly from factories and suppliers with no wholesale or dealer markup, allowing us to offer an exclusive assortment at an attractive value. Our direct sourcing network consists of more than 400 vendors, some of which we have had relationships with since our founding. Our product development teams work alongside our direct sourcing partners to bring to market proprietary merchandise that is a great value to clients while delivering attractive margins. We reported gross margin as a percent of net revenue of 41.7% in the six months ended June 30, 2021 and 37.7% in the six months ended June 30, 2020, and 39.3% in fiscal year 2020 and 35.6% in fiscal year 2019.

We position our retail locations as Showrooms for our brand, while our website acts as a virtual extension of our Showrooms. Our theater-like Showrooms are highly inspirational and function as an invaluable brand awareness vehicle. Our seasoned sales associates provide valued insight and advice to our client base that drives significant client engagement. Our omni-channel model allows clients to begin or end their shopping experience online while also experiencing our theater-like Showrooms throughout the shopping process. We offer an in-home designer services program, through which our in-home designers provide expert advice and assistance to our clients. These in-home designers partner with our in-Showroom design consultants to efficiently drive revenues and since 2017 have produced AOVs over three times that of a standard order. We operated 75 Showrooms, including three Outlet stores, across 27 states as of June 30, 2021. In fiscal year 2020, we distributed catalogs to millions of households and our website logged over 20 million unique visits.

Factors Affecting Our Business

Our business performance and results of operations have been, and will continue to be, affected by the factors described below. While each of these key factors presents significant opportunities for our business, they also pose challenges that we must successfully address in order to sustain our growth, improve our results of operations and achieve and maintain profitability.

Overall Economic Trends. The industry in which we operate is cyclical, and consequently our net revenue is affected by general economic conditions including conditions that affect the housing market and economic factors including the health and volatility of the stock market. We target consumers of high-end home furnishings. As a result, we believe that our sales are sensitive to a number of macroeconomic factors that influence consumer spending generally, but that our sales are particularly affected by the health of the higher end consumer and demand levels from that consumer demographic. While the overall home furnishings market may be influenced by factors such as employment levels, interest rates, demographics of new household formation and the affordability of homes

for the first time home buyer, the higher end of the housing market may be disproportionately influenced by other factors, including stock market prices, restrictions on travel due to the COVID-19 pandemic, the number of second and third homes being bought and sold, tax policies, interest rates, and the perceived prospect for capital appreciation in higher end real estate. Shifts in consumption patterns linked to the reopening of businesses in light of improvements relating to the COVID-19 pandemic may also have an impact on consumer spending in the high-end housing market. We have in the past experienced volatility in our sales trends related to many of these factors and believe our sales may be impacted by these economic factors in future periods.

Housing Market and Housing Turnover. Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence consumer spending, including, among other things, housing prices, new construction and other activity in the housing sector and the state of the mortgage industry and other aspects of consumer credit tied to housing, including the availability and pricing of mortgage refinancing and home equity lines of credit. In particular, periods of increased or decreased home purchases may lead to increased or decreased consumer spending on home furnishings.

Our Strategic Initiatives. We are in the process of implementing a number of business initiatives that have had and will continue to have an impact on our results of operations. These initiatives include expanding the Showroom footprint, enhancing our digital marketing capabilities and eCommerce platform, optimizing our product assortment and expanding our logistics infrastructure. As a result of the number of current business initiatives we are pursuing, we have experienced in the past and may experience in the future significant period-to-period variability in our financial performance and results of operations. While we anticipate that these initiatives will support the growth of our business, costs and timing issues associated with pursuing these initiatives can negatively affect our growth rates in the near term and may amplify fluctuations in our growth rates from quarter to quarter.

Our Ability to Source and Distribute Products Effectively. Our net revenue and gross margin are affected by our ability to purchase our merchandise in sufficient quantities at competitive prices. Our level of net revenue has been adversely affected in prior periods by constraints in our supply chain, including the inability of our vendors to produce or ship sufficient quantities of some merchandise to match market demand from our clients, leading to higher levels of client back orders. For example, a number of our vendors are experiencing delays in production and shipment of merchandise orders related to direct and indirect effects of the COVID-19 pandemic. During fiscal year 2020 and the six months ended June 30, 2021, the lag in manufacturing and inventory receipts related to the COVID-19 pandemic resulted in some delays in our ability to convert demand and recognize as net revenue. While we expect this to be resolved in the foreseeable future, there can be no assurance that the recovery in our supply chain will occur and a number of factors could contribute to further complications in our supply chain including COVID-19 developments in countries where our vendors produce and ship merchandise.

Consumer Preferences and Demand. Our ability to maintain our appeal to existing clients and attract new clients depends on our ability to originate, develop and offer a compelling product assortment responsive to client preferences and design trends. If we misjudge the market for our products or the product lines that we acquire, we may be faced with excess inventories for some products and may be required to become more promotional in our selling activities, which would impact our net revenue and gross margin.

Seasonality in Quarterly Results. Our quarterly results vary depending upon a variety of factors, including changes in our product offerings and the introduction of new merchandise assortments and categories, the opening of new retail locations, shifts in the timing of various events quarter over quarter including holidays and other events such as Showroom closures, the timing of our catalog releases, promotional events and the timing and extent of our realization of the costs and benefits of our numerous strategic initiatives, among other things. As a result of these factors, our working capital requirements and demands on our distribution and delivery network may fluctuate during the year. Unique factors in any given quarter may affect period-to-period comparisons between the quarters being compared, and the results for any quarter are not necessarily indicative of the results that we may achieve for a full fiscal year.

For example, our January and September catalogs, our two largest catalogs, drive demand in those two months higher than the balance of other months in the year. Variable expenses related to demand will also be higher in those months. Net revenue related to demand is recorded in the following months, dependent upon when the client obtains control of the merchandise. Working capital needed to finance our operations typically reaches the highest levels when we increase our inventory in preparation for new product launches and to fulfill demand driven by catalog releases.

Effects of COVID-19 on Our Business

The COVID-19 outbreak in the first quarter of fiscal year 2020 caused disruption to our business operations. In our initial response to the COVID-19 health crisis, we undertook immediate adjustments to our business operations including temporarily closing all of our retail locations, furloughing employees, minimizing expenses and delaying investments, including pausing some inventory orders while we assessed the status of our business. Our approach to the crisis evolved quickly as our business trends substantially improved during the second through fourth quarters of fiscal year 2020 as a result of both the reopening of our Showrooms and also strong consumer demand for our products. We had reopened all of our Showrooms and Outlet stores by June 30, 2020, although currently many of our Showrooms and Outlets continue to conduct business with occupancy limitations and other operational restrictions. As of June 30, 2021, substantially all of our employees were back to work.

While we have continued to serve our clients and operate our business through the ongoing COVID-19 health crisis, there can be no assurance that future events will not have an impact on our business, results of operations or financial condition since the extent and duration of the health crisis remains uncertain. Future adverse developments in connection with the COVID-19 crisis, including additional waves or resurgences of COVID-19 outbreaks, including with regard to new strains or variants of the virus, evolving international, federal, state and local restrictions and safety regulations in response to COVID-19 risks, changes in consumer behavior and health concerns, the pace of economic activity in the wake of the COVID-19 crisis, or other similar issues could adversely affect our business, results of operations or financial condition in the future, or our financial results and business performance in future periods.

Various constraints in our merchandise supply chain have resulted in some delays in our ability to convert demand and recognize as net revenue at normal historical rates. We anticipate that the business conditions related to COVID-19 will continue to adversely affect the capacity of our vendors and supply chain to meet our demand during fiscal year 2021. We expect that our supply chain may catch up to demand in the foreseeable future, but business circumstances and operational conditions in numerous international locations where our vendors operate cannot be predicted with certainty.

Depending on the future course of the pandemic and further outbreaks, we may experience further restrictions and closures of our physical operations with respect to Showrooms, Design Studios and Outlet stores. Although we experienced strong demand for our products during fiscal year 2020 and the six months ended June 30, 2021, some of the demand may have been driven by stay-at-home restrictions that were in place throughout many parts of the United States. The exact impact of changes to these stay-at-home restrictions cannot be predicted with certainty.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of financial and operating measures that affect our results of operations, including:

Net Revenue and Demand. Net revenue reflects merchandise revenue plus delivery fees collected from our clients, less private label credit card fees, other fees, rebates and reserves related to returns and discounts. Merchandise revenue omits items such as private label credit card fees, rebates and worry free warranty fees as they are items that are dependent on the clients' method of payment or are non-merchandise inventory items. Net revenue is recognized when a client obtains control of the merchandise.

We also track demand in our business which is a key performance indicator linked to the level of client orders. Demand is an operating metric that we use in reference to the merchandise revenue of orders placed. These orders are recognized as net revenue upon a client obtaining control of the merchandise.

The following is a reconciliation of our net revenue to merchandise revenue for the periods presented (amounts in thousands):

	Six Months Ended		Fiscal Year Ended	
	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019
Net revenue	$355,357	$224,105	$ 507,429	$ 494,538
Delivery income	(14,966)	(9,097)	(21,102)	(19,926)
Worry free warranty fees	444	375	768	932
Private label credit card fees and rebates	1,035	1,153	3,830	2,535
Reserves—returns and discounts	(496)	(781)	1,079	3,973
Other(1)	(146)	(274)	(506)	(62)
Merchandise revenue	$341,228	$215,481	$ 491,498	$ 481,990

(1) Includes restocking income earned on returned merchandise and gift card breakage income.

Comparable Growth. Comparable growth is the year-over-year percentage change of merchandise revenue from comparable Showrooms and eCommerce, including through our direct-mail catalog. This metric is used by management to evaluate Showroom merchandise revenue performance for locations that have been opened for at least 15 consecutive months, which enables management to view the performance of those Showrooms without new Showroom merchandise revenue included. Comparable Showrooms are defined as permanent Showrooms open for at least 15 consecutive months, including relocations in the same market. Showrooms record demand immediately upon opening, while merchandise revenue takes additional time because product must be delivered to the client. Comparable Showrooms that were temporarily closed during the year due to COVID-19 were not excluded from the comparable Showroom calculation. Outlet comparable location merchandise revenue is included.

Demand Comparable Growth. Demand comparable growth is the year-over-year percentage change of demand from our comparable Showrooms and eCommerce, including through our direct-mail catalog. This metric is used by management to evaluate Showroom demand performance for locations that have been opened for at least 13 consecutive months, which enables management to view the performance of those Showrooms without new Showroom demand included. Comparable Showrooms are defined as permanent Showrooms open for at least 13 consecutive months, including relocations in the same market. Comparable Showrooms that were temporarily closed during the year due to COVID-19 were not excluded from the comparable Showroom calculation. Outlet comparable location demand is included.

Showroom Data. At June 30, 2021, we operated 75 Showrooms, 48 with in-home interior designers. At December 31, 2020 we operated 74 Showrooms, 45 with in-home interior designers.

	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019
Traditional showrooms	71	69	70	68
Design Studios	1	0	1	0
Outlets	3	2	3	2
Total retail locations	75	71	74	70
Total square footage (in thousands)	1,274	1,217	1,258	1,203

Gross Margin. Gross margin is equal to our net revenue less cost of goods sold. Cost of goods sold include the direct cost of purchased merchandise; inventory shrinkage; inbound freight; all freight costs to get merchandise to our Showrooms; credit card fees; design, buying and allocation costs; occupancy costs related to Showroom operations and our supply chain, such as rent and common area maintenance for our leases;

depreciation and amortization of leasehold improvements, equipment and other assets in our Showrooms and distribution centers. In addition, cost of goods sold include all logistics costs associated with shipping product to our clients, which are partially offset by delivery fees collected from clients (recorded in net revenue on the consolidated statements of comprehensive income).

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses include all operating costs not included in cost of goods sold. These expenses include payroll and payroll related expenses, Showroom expenses other than occupancy and expenses related to many of our operations at our corporate headquarters, including utilities, depreciation and amortization and marketing expense. Payroll includes both fixed compensation and variable compensation. Variable compensation includes Showroom commissions and Showroom bonus compensation related to demand, likely before the client obtains control of the merchandise. Variable compensation is not significant in our eCommerce channel. All new Showroom opening expense other than occupancy are included in selling, general and administrative expenses and are expensed as incurred. We expect certain of these expenses to continue to increase as we open new Showrooms, develop new product categories and otherwise pursue our current business initiatives. Selling, general and administrative expenses as a percentage of net revenue is usually higher in lower-volume quarters and lower in higher-volume quarters because a significant portion of the costs are relatively fixed.

EBITDA. We define EBITDA as consolidated net income before depreciation and amortization, interest expense and state and local taxes.

Adjusted EBITDA. We believe that adjusted EBITDA is a useful measure of operating performance, as the adjustments eliminate items that we believe are not reflective of underlying operating performance in a particular period, facilitate a comparison of our operating performance on a consistent basis from period-to-period and provide for a more complete understanding of factors and trends affecting our business.

Because adjusted EBITDA omits items that we believe are not reflective of underlying operating performance in a particular period and non-cash items, we feel that it is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and can be more reflective of our operating performance in a particular period. We also use adjusted EBITDA as a method for planning and forecasting overall expected performance and for evaluating on a quarterly and annual basis actual results against such expectations.

The following is a reconciliation of our net income to adjusted EBITDA for the periods presented:

	Six Months Ended		Fiscal Year Ended	
(In thousands)	**June 30, 2021**	**June 30, 2020**	**December 31, 2020**	**December 31, 2019**
Net income	$16,197	$13,649	$ 17,837	$ 16,632
Interest expense	2,679	6,601	12,555	12,916
State and local taxes	1,204	169	764	365
Depreciation and amortization	8,909	8,438	16,957	15,964
EBITDA	28,989	28,857	48,113	45,877
Incentive unit compensation expense	427	250	403	272
Derivative expense(1)	29,805	333	17,928	—
Other expenses(2)	618	1,783	3,252	4,013
Adjusted EBITDA	$59,839	$31,223	$ 69,696	$ 50,162

(1) We repaid our term loan in full on December 28, 2020. The derivative expense relates to the change in the fair value of the exit fee at the end of each reporting period. See “Use of Proceeds” and “—Financing Transactions.”

(2) Other expenses represent costs and investments not indicative of ongoing business performance, such as third-party consulting costs, one-time project start-up costs, one-time costs related to the IPO, severance, signing, recruiting and project-based strategic initiatives.

New Showroom contribution. We believe New Showroom contribution is an important measure of operating performance of our new Showrooms as the adjustment eliminates items that are not reflective of the operating performance of our new Showrooms.

	December 31, 2020
Income from operations	$ 31,164
Corporate general and administrative expenses(1)	104,560
Other Showroom and eCommerce contribution(2)	(122,433)
New Showroom contribution	$ 13,291

(1) Corporate general and administrative expense includes items which are not directly attributable to a Showroom's economic performance and include the term loan exit fee, warehouse operation costs, marketing and IT infrastructure costs.
(2) Other Showroom and eCommerce contribution includes the Showroom contribution for the Showrooms that were opened before January 1, 2016 and after December 31, 2018 and our eCommerce business.

New Showroom net revenue. We believe New Showroom net revenue is an important measure of operating performance of our new Showrooms as the adjustment eliminates items that are not reflective of the operating performance of our new Showrooms.

	December 31, 2020
Net revenue	$ 507,429
Other Showroom and eCommerce net revenue(1).	(436,004)
New Showroom net revenue	$ 71,425

(1) Other Showroom and eCommerce net revenue includes the net revenue for the Showrooms that were opened before January 1, 2016 and after December 31, 2018 our eCommerce business.

Factors Affecting the Comparability of our Results of Operations

Our results over the past two years have been affected by the following events, which must be understood in order to assess the comparability of our period-to-period financial performance and condition.

Showroom Openings and Closings

New Showrooms contribute incremental expense, new Showroom opening expense and net revenue to the Company. In the six months ended June 30, 2021, we opened three Showrooms and closed two Showrooms. Both Showroom closures were related to relocations. In fiscal year 2020, we opened seven Showrooms and in fiscal year 2019 we opened four Showrooms. In fiscal 2020, we closed three Showrooms and in fiscal year 2019, we closed four Showrooms. In fiscal year 2020, two Showroom closures were related to relocations and one Showroom was closed permanently. In fiscal year 2019, four Showroom closures were related to relocations.

Financing Transactions

On June 25, 2020, we entered into a three year asset-based credit agreement, or the Asset Based Lending Agreement, which included a revolving credit facility in an amount equal to $30 million and refinancing the existing

first lien credit facility, or the Existing Credit Facilities. Our facility is subject to borrowing base availability related to inventory, credit card receivables and cash, net of applicable reserves. Loans under the facility bear interest at either (a) a LIBOR rate plus a margin of 5.5%, for LIBOR loans, or (b) a base rate plus a margin of 4.5%, for base rate loans.

We repaid our term loan in full on December 28, 2020. The derivative expense relates to the change in the fair value of the exit fee at the end of each reporting period. The exit fee, which is payable in cash at the time of the initial public offering is consummated, is calculated as 4% of the total equity value of the Company, based on the valuation determined in connection with the initial public offering, which valuation shall include, among other factors, (a) the initial public offering price, plus (b) cash, minus (c) any outstanding indebtedness, minus (d) transaction expenses, minus (e) the equity value of the preferred equity interests of Arhaus, LLC and all subsidiaries received on the closing date of the term loan, minus (f) the value of management incentive units in effect on the closing date of the term loan or issued after the closing date pursuant to management incentive plans in existence on the closing date. The Company intends to use a portion of the use of proceeds of the offering to pay the exit fee in its entirety. See “Use of Proceeds.”

Incremental Public Company Costs

In the 2020 and 2019 fiscal years, we did not incur any additional costs, and for the six months ended June 30, 2021 we have not incurred any significant costs, that would be representative of costs a public company would be required to incur in order to comply with public company requirements including incremental insurance, accounting and legal expense as well as costs required to comply with the Sarbanes-Oxley Act.

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated. The following discussion should be read in conjunction with our consolidated financial statements and related notes.

Statement of Consolidated Comprehensive Income Data:

	Six Months Ended(1)		Fiscal Year Ended (1)	
(In thousands)	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019
Net revenue	$355,357	$224,105	$ 507,429	$ 494,538
Cost of goods sold	207,188	139,528	307,925	318,550
Gross margin	148,169	84,577	199,504	175,988
Selling, general and administrative expenses	128,075	64,158	168,340	146,052
Income from operations	20,094	20,419	31,164	29,936
Interest expense	2,679	6,601	12,555	12,916
Loss on sale of assets	14	—	8	23
Income before taxes	17,401	13,818	18,601	16,997
State and local taxes	1,204	169	764	365
Net and comprehensive income	$ 16,197	$ 13,649	$ 17,837	$ 16,632

Other Operational Data:

(Dollars in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2019
Net revenue	$355,357	$224,105	$ 507,429	$ 494,538
Comparable growth (decline)	53.1%	(7.2%)	0.9%	7.2%
Demand comparable growth (decline)	82.0%	(3.6%)	24.7%	4.0%
Gross margin as a % of net revenue	41.7%	37.7%	39.3%	35.6%
Selling, general and administrative expenses as a % of net revenue	36.0%	28.6%	33.2%	29.5%
Income from operations as a % of net revenue	5.7%	9.1%	6.1%	6.1%
Net income	$ 16,197	$ 13,649	$ 17,837	$ 16,632
Net income as a % of net revenue	4.6%	6.1%	3.5%	3.4%
Adjusted EBITDA(1)	$ 59,839	$ 31,223	$ 69,696	$ 50,162
Adjusted EBITDA as a % of net revenue	16.8%	13.9%	13.7%	10.1%
Total retail location count at end of period	75	71	74	70

(1) See “Non-GAAP Financial Measures” and “—How We Assess the Performance of Our Business,” respectively, for a definition of adjusted EBITDA and a reconciliation of adjusted EBITDA to net income.

Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Net Revenue

Net revenue increased $131.3 million, or 58.6%, to $355.4 million in the six months ended June 30, 2021 compared to $224.1 million in the six months ended June 30, 2020. Comparable growth was 53.1% in the six months ended June 30, 2021 compared to a decrease of 7.2% in the six months ended June 30, 2020. Demand comparable growth was 82.0% in the six months ended June 30, 2021 compared to a decrease of 3.6% in the six months ended June 30, 2020. At June 30, 2021, we operated 75 Showrooms, an increase of 4 from June 30, 2020.

Net revenue increased due to a higher number of orders delivered to the client. Net revenue for the six months ended June 30, 2020 was negatively impacted by temporary Showroom closures, macroeconomic conditions and disruptions across our global supply chain resulting from COVID-19 commencing in March 2020.

Gross Margin

Gross margin increased $63.6 million, or 75.2%, to $148.2 million in the six months ended June 30, 2021 compared to $84.6 million in the six months ended June 30, 2020. Gross margin improvement was driven by the increase in net revenue in the six months ended June 30, 2021 versus the six months ended June 30, 2020. Net revenue in the six months ended June 30, 2020 was compressed due to supply chain constraints and disruption arising from COVID-19. The gross margin improvement related to net revenue increases in the six months ended June 30, 2021 versus the six months ended June 30, 2020 was partially offset by higher product costs of $47.5 million due to the increase in net revenue, higher transportation costs of $11.2 million due to higher net revenue in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 and higher credit card fees of $3.8 million in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 related to higher demand during these time periods.

As a percentage of net revenue, gross margin increased 400 basis points to 41.7% of net revenue in the six months ended June 30, 2021 compared to 37.7% of net revenue in the six months ended June 30, 2020. The gross margin improvement was primarily the result of the benefits of leverage and scale as a result of the significant increase in revenue, while certain components of our cost of goods sold are fixed or otherwise do not move in line

with revenues. In particular, non-variable Showroom occupancy costs, which are not dependent on revenue levels, were lower as a percentage of net revenues, contributing 390 basis points to the margin improvement.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $63.9 million, or 99.6%, to $128.1 million in the six months ended June 30, 2021 compared to $64.2 million in the six months ended June 30, 2020. The increase in selling, general and administrative expenses was primarily driven by derivative expense related to the change in the fair value of the term loan exit fee of $29.8 million in the six months ended June 30, 2021, variable selling expenses related to demand, which increased $14.8 million in the six months ended June 30, 2021 compared to the six months ended June 30, 2020, and higher Showroom non-variable compensation of $5.7 million in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 due to employee furloughs related to temporary Showroom closures from COVID-19 in the six months ended June 30, 2020.

As a percentage of net revenue, selling, general and administrative expenses increased 740 basis points to 36.0% of net revenue in the six months ended June 30, 2021 compared to 28.6% of net revenue in the six months ended June 30, 2020.

Interest expense

Interest expense decreased $3.9 million to $2.7 million in the six months ended June 30, 2021 compared to $6.6 million in the six months ended June 30, 2020. For the six months ended June 30, 2021, interest expense was primarily related to our capital lease obligations. For the six months ended June 30, 2020, interest expense was primarily related to our term loan, which was paid off in December 2020, our capital lease obligations, and borrowings on our revolving credit facility.

State and Local Taxes

State and local taxes were $1.2 million in the six months ended June 30, 2021 compared to $0.2 million in the six months ended June 30, 2020. This includes state and local tax in the locations we operate. As a limited liability company, Arhaus, LLC was a pass-through entity for the six months ended June 30, 2021 and June 30, 2020.

Net and Comprehensive Income

Net and comprehensive income increased $2.6 million to $16.2 million in the six months ended June 30, 2021 compared to $13.6 million in the six months ended June 30, 2020. The increase was driven by the factors described above.

Comparison of the Years Ended December 31, 2020 and December 31, 2019

Net Revenue

Net revenue increased $12.9 million, or 2.6%, to $507.4 million in fiscal year 2020 compared to $494.5 million in fiscal year 2019. Comparable growth was 0.9% in fiscal year 2020 compared to 7.2% in fiscal year 2019. Demand comparable growth was 24.7% in fiscal year 2020 compared to 4.0% in fiscal 2019. At December 31, 2020 we operated 74 Showrooms, an increase of 4 from December 31, 2019.

Net revenue increased due to price increases implemented in June 2019 partially offset by a reduced number of orders delivered to the client. Fiscal year 2020 was negatively impacted by temporary Showroom closures and macroeconomic conditions resulting from COVID-19 commencing in March. To facilitate net revenue during the temporary Showroom closures, we deployed various technologies to provide opportunities for clients to transact, including online chat, email, phone calls and private Showroom appointments. Despite our net

revenue growth during the year, the growth in net revenue was lower than the growth in demand for our products primarily due to disruptions across our global supply chain as a result of COVID-19. It may take several quarters for inventory receipts and manufacturing to catch up to the increase in demand.

Gross Margin

Gross margin increased $23.5 million, or 13.4%, to $199.5 million in fiscal year 2020 compared to $176.0 million in fiscal year 2019. Gross margin improvement was related to price increases implemented in June 2019, strategic sourcing efforts to decrease transportation costs and lower costs related to temporary Showroom closures. Price increases improved gross margin by $11.0 million in fiscal year 2020 compared to fiscal year 2019 with $17.0 million of price increases recognized in fiscal year 2020 and $6.0 million recognized in fiscal year 2019. Despite our increase in revenues related to price increases, our cost of goods sold decreased in the period because of lower product costs of $8.2 million due to a lower number of units delivered to clients, decreased transportation cost of $3.0 million due to strategic sourcing efforts and lower costs related to Showroom operations of $2.2 million due to temporary Showroom closures in fiscal year 2020 compared to fiscal year 2019. The decrease in cost of goods sold was partially offset by higher credit card fees of $4.0 million in fiscal year 2020 versus fiscal year 2019 related to higher demand in fiscal year 2020 compared to fiscal year 2019.

As a percentage of net revenue, gross margin increased 370 basis points to 39.3% of net revenue in fiscal year 2020 compared to 35.6% of net revenue in fiscal year 2019. This increase is due to our leverage and scale. As revenue increased, certain costs such as product costs and transportation costs did not increase proportionally. Product costs contributed 260 basis points of leverage and transportation costs contributed 100 basis points of leverage.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $22.2 million, or 15.3%, to $168.3 million in fiscal year 2020 compared to $146.1 million in fiscal year 2019. The increase in selling, general and administrative expenses was primarily driven by derivative expense related to the change in the fair value of the term loan exit fee of $17.9 million in fiscal year 2020 compared to $0.0 million in fiscal 2019, and variable selling expenses related to demand, which increased $11.9 million in fiscal year 2020 compared to fiscal year 2019. This was partially offset by employee furloughs related to temporary Showroom closures due to COVID-19 of $8.7 million in fiscal 2020 compared to fiscal 2019, reductions in warehouse related expenses of $2.0 million in fiscal year 2020 compared to fiscal year 2019, and reductions in corporate expenses of $1.8 million in fiscal year 2020 compared to fiscal year 2019.

As a percentage of net revenue, selling, general and administrative expenses increased 370 basis points to 33.2% of net revenue in fiscal year 2020 compared to 29.5% of net revenue in 2019.

Interest expense

Interest expense decreased $0.3 million to $12.6 million in fiscal year 2020 compared to $12.9 million in fiscal year 2019. Interest expense was primarily related to our term loan, which was paid off in December 2020.

State and Local Taxes

State and local taxes were $0.8 million in fiscal year 2020 compared to $0.4 million in fiscal year 2019. This includes state and local tax in the locations we operate. As a limited liability company, Arhaus, LLC was a pass-through entity for 2020 and 2019.

Net and Comprehensive Income

Net and comprehensive income increased $1.2 million to $17.8 million in fiscal year 2020 compared to $16.6 million in fiscal year 2019. The increase was driven by the factors described above.

Liquidity and Capital Resources

General

The primary cash needs of our business have historically been for merchandise inventories, payroll, marketing catalogs, Showroom rent, capital expenditures associated with opening new Showrooms and updating existing Showrooms, as well as the development of our infrastructure and information technology. We seek out and evaluate opportunities for effectively managing and deploying capital in ways that improve working capital and support and enhance our business initiatives and strategies.

Our business has historically relied on cash flows from operations, including client deposits, and borrowings under our credit facilities as our primary sources of liquidity. In 2020 and 2019, borrowing under our credit facilities included a term loan and our revolving credit facility. We believe our operating cash flows will be sufficient to meet working capital requirements and fulfill other capital needs for at least the next 12 months, although we may enter into borrowing arrangements in the future or if conditions change.

In June 2020, we entered into a revolving credit facility with Wingspire Capital LLC, as administrative agent, and the lenders party thereto. The facility provides for borrowings for working capital and general corporate purposes in an amount equal to the lesser of (a) $30.0 million and (b) a borrowing base calculated based on eligible credit card receivables, inventory and unrestricted cash above a certain dollar threshold. Loans under the facility bear interest at either (a) a LIBOR rate plus a margin of 5.5%, for LIBOR loans, or (b) a base rate plus a margin of 4.5%, for base rate loans. The revolving credit facility is secured by first-priority liens on substantially all assets of the Company. We are required to prepay outstanding loans, subject to certain exceptions, with 100% of the net cash proceeds of non-ordinary course asset sales or other dispositions of property or casualty events giving rise to the receipt of insurance proceeds or condemnation awards, the incurrence of indebtedness, the issuance of equity interests, and the receipt of cash for extraordinary events, subject to reinvestment rights. We may also repay outstanding loans or reduce outstanding commitments at any time without premium or penalty (other than a 2.0% premium payable on the amount of the revolving commitments under the facility so reduced if on or prior to June 25, 2022 or a 1.0% premium payable on the amount of the revolving commitments under the facility so reduced if after June 25, 2022 and on or prior April 26, 2023). The revolving credit facility includes customary affirmative and negative covenants, including a minimum fixed charge ratio of 1.0x and minimum EBITDA requirements, and events of default, including cross-defaults provisions with respect to material indebtedness of $2,500,000 or more. The revolving credit facility will mature on June 25, 2023. From the second quarter of fiscal year 2020, we have resumed many investments and previously deferred expenditures in response to the COVID-19 pandemic, but we anticipate that our decisions regarding these matters will continue to evolve in response to changing business circumstances including further developments with respect to the pandemic. We will continue to closely manage our investments while considering both the overall economic environment as well as the needs of our business operations. In addition, our near term decisions regarding the sources and uses of capital in our business will continue to reflect and adapt to changes in market conditions and our business including further developments with respect to the pandemic.

While we do not require debt to fund our operations, our goal continues to be in a position to take advantage of the many opportunities that we identify in connection with our business and operations. We have pursued in the past, and may pursue in the future, additional strategies to generate capital to pursue opportunities and investments, including new debt financing arrangements. In addition to funding the normal operations of our business, we have used our liquidity to fund investments and strategies such as supply chain expansion and growth initiatives.

See “Risk Factors—We may be unable to secure additional financing on favorable terms, or at all, to meet our future capital needs, which in turn could impair our growth.”

In addition, our capital needs and uses of capital may change in the future due to changes in our business or new opportunities that we choose to pursue. We have invested significant capital expenditures in opening new Showrooms, and these capital expenditures have increased in the past and may continue to increase in future periods as we open additional Showrooms.

Our capital expenditures include capital expenditures from investing activities and cash outflows of capital related to construction activities to design and build landlord-owned leased assets, net of tenant allowances received. Given the pace at which business conditions are evolving in response to the COVID-19 health crisis, we may adjust our investments in various business initiatives including our capital expenditures over the course of fiscal year 2021. Capital expenditures in fiscal year 2020 were $3.1 million, net of cash received related to landlord tenant allowances of $9.9 million.

Certain lease arrangements require the landlord to fund a portion of the construction related costs through payments directly to us. New Showrooms may require different levels of capital investment on our part in the future.

In addition, we continue to address the effects of COVID-19 on our business with respect to real estate development and the introduction of new Showrooms. A range of factors involved in the development of new Showrooms may continue to be affected by the COVID-19 health crisis including delays in construction as well as permitting and other necessary governmental actions. In addition, the scope and cadence of investments by third parties including landlords and other real estate counterparties may be adversely affected by the health crisis. Actions taken by federal, state and local government authorities, and in some instances mall and shopping center owners, in response to the pandemic, may require changes to our real estate strategy and related capital expenditure. In addition, we may continue to be required to make lease payments in whole or in part for our Showrooms that were temporarily closed or are required to close in the future in the event of resurgences in COVID-19 outbreaks or for other reasons. Any efforts to mitigate the costs of construction delays and deferrals, retail closures and other operational difficulties, including any such difficulties resulting from COVID-19, such as by negotiating with landlords and other third parties regarding the timing and amount of payments under existing contractual arrangements, may not be successful, and as a result, our real estate strategy may have ongoing significant liquidity needs even as we make changes to our planned operations and expansion cadence.

The following table provides a summary of our cash provided by operating, investing and financing activities:

	Six Months Ended		Fiscal Year Ended	
(In thousands)	June 30, 2021	June 30, 2020	December 31, 2020	December 31, 2019
Net cash provided by operating activities	$110,807	$ 62,545	$ 150,435	$ 21,904
Net cash used in investing activities	(13,691)	(10,145)	(13,011)	(9,866)
Net cash used in financing activities	(15,600)	(320)	(98,335)	(17,605)
Net increase (decrease) in cash and cash equivalents and restricted cash equivalents	$ 81,516	$ 52,080	$ 39,089	$ (5,567)

Net cash provided by operating activities

Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Net cash provided by operating activities was $110.8 million in the six months ended June 30, 2021 compared to $62.5 million net cash provided by operating activities in the six months ended June 30, 2020. The increase in our net cash provided by operating activities in the six months ended June 30, 2021 was primarily the result of increased client deposits resulting from strong client demand and the impact of higher non-cash items in the current period, particularly the derivative expense related to the change in the fair value of the term loan exit fee, which reduced our net income without any corresponding adverse impact to our cash generation. This was offset by decreases in cash related to the changes in working capital, which were primarily driven by increases in merchandise inventory caused by forecasted client demand.

Comparison of the Fiscal Year Ended December 31, 2020 and December 31, 2019

Net cash provided by operating activities was $150.4 million in fiscal year 2020 compared to $21.9 million net cash provided by operating activities in fiscal year 2019. The increase in our net cash provided by operating activities in fiscal year 2020 was primarily the result of increased client deposits resulting from strong client demand, the impact of higher non-cash impacts items in the current period, particularly the derivative expense related to the change in fair value of the term loan exit fee, which reduced our net income without any corresponding adverse impact to our cash generation and cash increases related to changes in working capital, including decreases to merchandise inventory caused by actual client demand and supply chain disruptions.

Net cash used in investing activities

Investing activities consist primarily of investments in capital expenditures related to investments in retail Showrooms, information technology and systems infrastructure, as well as supply chain investments. Investing activities also include strategic investments made by the Company.

Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

For the six months ended June 30, 2021, net cash used in investing activities was $13.7 million primarily due to investments in Showrooms, information technology and systems infrastructure, and supply chain.

For the six months ended June 30, 2020, net cash used in investing activities was $10.1 million primarily due to investments in Showrooms, information technology and systems infrastructure, and supply chain

Comparison of the Fiscal Year Ended December 31, 2020 and December 31, 2019

For fiscal year 2020, net cash used in investing activities was $13.0 million primarily due to investments in Showrooms, information technology and systems infrastructure, and supply chain.

For fiscal year 2019, net cash used in investing activities was $9.9 million primarily due to investments in Showrooms, information technology and systems infrastructure, and supply chain.

Historical capital expenditures are summarized as follows:

(In thousands	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2019
Net cash used in investing activities	$13,691	$10,145	$ 13,011	$ 9,866
Proceeds from sale of property, furniture and equipment	—	—	—	—
Total capital expenditures	13,691	10,145	13,011	9,878
Landlord contributions	8,278	9,314	9,942	5,718
Total capital expenditures, net of landlord contributions	$ 5,413	$ 831	$ 3,069	$ 4,160

Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Total capital expenditures, net of landlord contributions increased by $4.6 million in the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This increase was related to our new facility in North Carolina, the opening of new Showrooms and information technology and systems infrastructure. We anticipate our capital expenditures to be $30 million to $35 million in fiscal year 2021, primarily related to our new facility in North Carolina, the purchase of an airplane, the opening of new Showrooms, information technology and systems infrastructure, and general maintenance.

Comparison of the Fiscal Year Ended December 31, 2020 and December 31, 2019

Total capital expenditures, net of landlord contributions decreased by $1.1 million in fiscal year 2020 compared to fiscal year 2019. This decrease was related to higher landlord contributions in 2020 versus 2019.

Net cash used in financing activities

Financing activities consist primarily of borrowings related to credit facilities, dividends, repayments of preferred units and tax distributions to members.

Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

For the six months ended June 30, 2021, net cash used in financing activities was $15.6 million due to tax distributions to members.

For the six months ended June 30, 2020, net cash used in financing activities was $0.3 million. Payments on the term loan used $11.2 million of cash. Revolver borrowings net of payments were $11.0 million.

Comparison of the Fiscal Year Ended December 31, 2020 and December 31, 2019

For fiscal year 2020, net cash used in financing activities was $98.3 million. Tax distributions to members were $15.2 million. The term loan was repaid in full using $37.0 million and revolver payments net of borrowings were $4.0 million. Net cash used in financing activities also included repayments of preferred units and dividends of $42.1 million.

For fiscal year 2019, net cash used in financing activities was $17.6 million. Tax distributions to members were $8.3 million. Payments on the term loan used $13.3 million of cash and revolver borrowings net of payments were $4.0 million.

Off-Balance Sheet Transactions

Our liquidity is currently not dependent on the use of off-balance sheet transactions other than letters of credit, which are typical in a retail environment. We have no material off balance sheet arrangements as of December 31, 2020.

Unaudited Quarterly Results

The following table sets forth certain financial and operating information for each of our fiscal quarters since the first quarter of 2019. We have prepared the following unaudited quarterly financial information on the same basis as our audited financial statements and have included all adjustments, consisting only of normal recurring adjustments that, in our opinion are necessary to fairly state the financial information set forth in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and results for any quarter are not necessarily indicative of results to be expected for a full year or any other period. This information should read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this prospectus

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Consolidated Statements of Comprehensive Income:										
Net revenue	$184,043	$ 171,314	$ 162,823	$ 120,501	$103,388	$ 120,717	$ 133,831	$ 124,848	$127,502	$ 108,357
Gross margin	77,834	70,335	69,715	45,212	38,727	45,850	52,654	45,348	43,237	34,749
Income from operations	8,745	11,349	6,497	4,248	10,996	9,423	11,702	8,679	9,413	142
Net and comprehensive income (loss)	6,905	9,292	3,405	783	7,300	6,349	8,606	5,260	5,964	(3,198)
Comparable growth	71.4%	37.6%	19.6%	(3.7)%	(19.7)%	7.0%	6.9%	10.0%	7.8%	3.9%
Demand comparable growth	72.9%	90.3%	61.9%	43.7%	(4.7)%	(2.5)%	12.2%	(1.0)%	3.9%	2.2%
Adjusted EBITDA	$ 34,304	$ 25,535	$ 28,794	$ 9,679	$ 15,539	$ 15,684	$ 18,534	$ 13,554	$ 13,092	$ 4,982
Reconciliation of net and comprehensive income (loss) to Adjusted EBITDA:										
Net and comprehensive income (loss)	6,905	9,292	3,405	783	7,300	6,349	8,606	5,260	5,964	(3,198)
Interest expense	1,340	1,339	3,220	2,734	3,608	2,993	3,023	3,250	3,295	3,348
State and local taxes	500	704	(136)	731	88	81	70	163	135	(3)
Depreciation and amortization	4,446	4,463	4,275	4,244	4,246	4,192	4,083	3,994	3,965	3,922
EBITDA	$ 13,191	$ 15,798	$ 10,764	$ 8,492	$ 15,242	$ 13,615	$ 15,782	$ 12,667	$ 13,359	$ 4,069
Incentive unit compensation expense	351	76	77	76	170	80	88	62	58	64
Derivative expense (1)	18,258	11,547	17,428	167	166	167	—	—	—	—
Other expenses (2)	2,504	(1,886)	525	944	(39)	1,822	2,664	825	(325)	849
Adjusted EBITDA	$ 34,304	$ 25,535	$ 28,794	$ 9,679	$ 15,539	$ 15,684	$ 18,534	$ 13,554	$ 13,092	$ 4,982

(1) We repaid our term loan in full on December 28, 2020. The derivative expense relates to the change in the fair value of the exit fee at the end of each reporting period.
(2) Other expenses represent costs and investments not indicative of ongoing business performance, such as third-party consulting costs, one-time project start-up costs, one-time costs related to the IPO, severance, signing, recruiting and project-based strategic initiatives.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires our senior leadership to make estimates and assumptions that affect amounts reported in our consolidated financial statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our accounting policies, estimates, and judgments on an on-going basis. We base our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions and such differences could be material to the consolidated financial statements.

Information on all of our significant accounting policies can be found in Note 2—*Basis of Presentation and Summary of Significant Accounting Policies* in our audited consolidated financial statements. Our senior leadership team evaluates the development and selection of our critical accounting policies and estimates and believes that certain of our significant accounting policies involve a higher degree of judgment or complexity and are most significant to reporting our consolidated results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. The following items require significant estimation or judgment in the preparation of the consolidated financial statements.

Revenue Recognition

Net revenue consists of sales to clients, net of returns, discounts, and rebates. Net revenue and cost of goods sold is recognized when performance obligations under the terms of the contract are satisfied, and the control of merchandise has been transferred to a client, which occurs when merchandise is received by our clients. Net revenue from “direct-to-client” and “home-delivered” sales are recognized when the merchandise is delivered to the client. Net revenue from “cash-and-carry” Showroom sales are recognized at the point of sale in the Showroom. Discounts provided to clients are accounted for as a reduction of sales at the point of sale. Sales commissions are incremental costs and are expensed as incurred.

A reserve is recorded for projected merchandise returns based on actual historical return rates. We provide an allowance for sales returns based on historical return rates, which is presented on a gross basis. The allowance for sales returns is presented within other current liabilities and the estimated value of the right of return asset for merchandise is presented within prepaid expense and other assets on the consolidated balance sheet. Actual merchandise returns are monitored regularly and have not been materially different from the estimates recorded. Merchandise returns are granted for various reasons, including delays in merchandise delivery, merchandise quality issues, client preference and other similar matters. We have various return policies for their merchandise, depending on the type of merchandise sold. Merchandise returned often represents merchandise that can be resold. Amounts refunded to clients are generally made by issuing the same payment tender as used in the original purchase. Merchandise exchanges of the same merchandise at the same price are not considered merchandise returns and, therefore, are excluded when calculating the sales returns reserve. The allowance for sales returns are included within accrued other expenses line item on the consolidated balance sheet.

All taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by us from clients are excluded from the measurement of the transaction price. As a result, sales are stated net of tax.

Shipping and handling is recognized as activities to fulfill the performance obligation of transferring merchandise to clients, therefore the fees are recorded as revenue. The costs we incur for shipping and handling are included in cost of goods sold, and the costs of shipping and handling activities are accrued for in the same period as the delivery to clients.

We collect various taxes as an agent in connection with the sale of merchandise and remits these amounts to the respective taxing authorities. These taxes are included within accrued taxes line item of the consolidated balance sheet until remitted to the respective taxing authority.

Client deposits represent payments made by clients on orders. At the time of purchase, we collect deposits for all orders equivalent to at least 50 percent of the clients purchase price. Orders are recognized as revenue when the merchandise is delivered to the client and at the time of delivery the client deposit is no longer recorded as a liability.

Goodwill

The recoverability of goodwill is evaluated annually or whenever events or changes in circumstances indicate that the fair value of the reporting unit is less than its carrying amount. Circumstances that may indicate impairment include, but are not limited to, deterioration in general economic conditions, limitations on accessing capital, or other developments in equity and credit markets; industry and market considerations such as deterioration in the environment in which we operate, an increased competitive environment, a decline in market dependent multiples or metrics, a change in the market for our products or services, or a regulatory or political development; cost factors that have a negative effect on earnings and cash flows; overall financial performance; changes in management, key personnel, strategy, or clients; a sustained decrease in share price in either absolute terms or relative to peers.

We perform our annual goodwill impairment testing in the fourth quarter by comparing the fair value of a reporting unit with its carrying amount, limited to the total amount of goodwill of the reporting unit. We establish the fair value for the reporting unit based on the discounted cash flows to determine if the fair value of our goodwill exceeds its carrying value. We will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

Fair Value

Our primary financial instruments are payables, debt instruments, lease obligations, derivative, and incentive unit compensation instruments. Due to the short-term maturities of payables, we believe the fair values of these instruments approximate their respective carrying values at December 31, 2020 and 2019. Primarily as a result of the variable rate nature of the majority of our debt instruments, management believes that the fair values of the debt instruments approximate their respective carrying values at December 31, 2020 and 2019.

We have established a hierarchy to measure our financial instruments at fair value, which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect our own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. The hierarchy defines three levels of inputs that may be used to measure fair value:

Level 1	Unadjusted quoted prices in active markets for identical, unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.
Level 3	Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

Recent Accounting Pronouncements

See Note 2— *Basis of Presentation and Summary of Significant Accounting Policies* to our audited financial statements included elsewhere in this prospectus for information regarding recently issued and adopted accounting pronouncements.

Emerging Growth Company Status

We are an "emerging growth company," as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we are no longer an emerging growth company or affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. Accordingly, our consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, which include significant deterioration of the U.S. and foreign markets, changes in U.S. interest rates, foreign currency exchange rate fluctuations and the effects of economic uncertainty which may affect the prices we pay our vendors in the foreign countries in which we do business. We do not engage in financial transactions for trading or speculative purposes.

Foreign Currency Exchange Risk

We believe foreign currency exchange rate fluctuations do not contain significant market risk due to the nature of our relationships with our vendors outside of the United States. We purchase the majority of our inventory from vendors outside of the United States in transactions that are primarily denominated in U.S. dollars and, as such, any foreign currency impact related to these international purchase transactions was not significant to us during fiscal years 2020 or 2019. However, since we pay for the majority of our international purchases in U.S. dollars, a decline in the U.S. dollar relative to other foreign currencies would subject us to risks associated with increased purchasing costs from our vendors. We cannot predict with certainty the effect these increased costs may have on our financial statements or results of operations.

Interest Rate Risk

We are primarily exposed to interest rate risk with respect to borrowing under our revolving line of credit. As of June 30, 2021, we have not drawn upon our revolving line of credit in 2021. A hypothetical 100 basis point change in interest rates would not have a material impact on our financial condition or results of operations for the periods presented.

Impact of Inflation

We do not believe that inflation has had a material effect on our business, results of operations or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations or financial condition.

BUSINESS

Overview

Arhaus is a rapidly growing lifestyle brand and omni-channel retailer of premium home furnishings. We offer a differentiated direct-to-consumer approach to furniture and décor, through which we sell artisan-quality products that embody our emphasis on livable luxury. Our products, designed to be used and enjoyed throughout the home, are sourced directly from factories and suppliers with no wholesale or dealer markup, allowing us to offer an exclusive assortment with an attractive value. We are a national omni-channel retailer with 75 Showrooms across 27 states and compete in the attractive premium home furnishings market, which we believe is the portion of the market with higher than industry average merchandise price points and quality.

Based on third-party reports and publicly available data, our management estimates the U.S. premium home furnishing market to be approximately $60 billion, with the potential to grow at a compounded annual growth rate, or CAGR, of approximately 10% between 2019 and 2024. Our business has witnessed strong performance over recent time periods with 10 consecutive quarters, from the fourth quarter of 2017 to the first quarter of 2020, of positive comparable growth leading up to the onset of the COVID-19 pandemic. Both demand comparable growth and comparable growth have been meaningful over the last three fiscal years. Demand comparable growth increased 82% in the six months ended June 30, 2021 as compared to a decrease of 4% in the six months ended June 30, 2020. Comparable growth increased 53% in the six months ended June 30, 2021 as compared to a decrease of 7% in the six months ended June 30, 2020. Demand comparable growth increased 25% and 4% in 2020 and 2019, respectively. Comparable growth increased 1% and 7% in 2020 and 2019, respectively. We believe our momentum, combined with our scale and powerful new Showroom and omni-channel economics, favorably positions us within the highly fragmented premium home furnishing market to profitably grow and increase market share.

We were founded in 1986 by John Reed, our current CEO, and his father in Cleveland, Ohio. Our unique concept is dedicated to bringing our clients heirloom quality, artisan-made furniture and décor while providing a dynamic and welcoming experience in our Showrooms and online with the belief that retail is theater. We have remained true to our founding principles of curating artisan quality and exclusive products by directly sourcing with minimal dealer or wholesale involvement. We have grown from a single Showroom in Cleveland, Ohio to an omni-channel retailer with 75 Showrooms nationally, supported by more than 1,400 employees. We are proud to have built a best-in-class management team of 16 executives who, along with John, are dedicated to our founding principles of driving growth by creating responsibly sourced and long-lasting furniture and décor.

Our vertical model and deep network of direct sourcing relationships allow us to bring to market higher quality products at more competitive prices than both smaller independent operators, as well as our larger competitors. Our direct sourcing network consists of more than 400 vendors, some of which we have had relationships with since our founding. Our product development teams work alongside our direct sourcing partners to bring to market proprietary, unique merchandise offering a strong value proposition to clients while delivering attractive margins. We reported gross margin as a percent of net revenue of 42% in the six months ended June 30, 2021 and 38% in the six months ended June 30, 2020, and 39% in fiscal year 2020 and 36% in fiscal year 2019.

At Arhaus, we deliver a truly distinctive concept based upon livable luxury, with artisan-crafted and globally curated products designed to be enjoyed in homes with children and pets. Our 75 theater-like Showrooms are highly inspirational and function as an invaluable brand awareness vehicle. Our seasoned sales associates provide valued insight and advice to our client base, driving significant client engagement. We offer an in-home designer services program, through which our in-home designers provide expert advice and assistance to our clients. As of June 30, 2021, we had 58 in-home designers with the expectation to reach 70 in-home designers by the end of 2021. These in-home designers partner with our in-Showroom design

consultants to efficiently drive net revenue and since 2017 have produced AOVs over three times that of a standard order.

Our omni-channel model allows clients to begin or end their shopping experience online while also experiencing our theater-like Showrooms throughout the shopping process. This model provides a seamless experience, showcasing a broader assortment of product while driving our brand awareness.

Our net revenue was approximately $507.4 million in fiscal year 2020 and eCommerce net revenue represented approximately 18% of total net revenue for the fiscal year. Our net revenue was approximately $494.5 million in fiscal year 2019 and eCommerce net revenue represented approximately 11% of total net revenue for the fiscal year. eCommerce net revenue of our peers in the premium home furnishings market was approximately 43% of total net revenue for the fiscal year 2019, which is based on management estimates, third party estimates, publicly available industry data and internal research.

We believe there is significant whitespace to grow our omni-channel model across the United States. Based on our recently commissioned studies and surveys conducted on our behalf, we believe there is potential to more than double our current Showroom base to more than 165 locations in both new and existing markets. Illustrated by the success of our geographically diverse Showroom footprint, our omni-channel model has performed well in every region of the country, across retail formats and across market sizes. Historically, our top 10 Showrooms by net revenue have been located in 10 different states and our model has proven successful throughout a variety of markets and economic cycles. Currently, we expect to target opening between five and seven new stores per year for the foreseeable future, which indicates we could fulfill the whitespace potential within the next 15 years. However, the rate of future growth in any particular period is inherently uncertain and subject to many factors, some of which are outside our control. Driven by significant investment in our digital platform, we believe we can increase our eCommerce penetration, accelerating growth in our omni-channel model, allowing clients to transact when, where and how they choose.

We are proud of the incredible loyalty of our client base and our significant financial momentum over the past several years. With our distinctive and sophisticated concept and growth strategies, we believe we are well-positioned to increase market share in a growing, highly fragmented marketplace.

Strong Operating Performance and Momentum

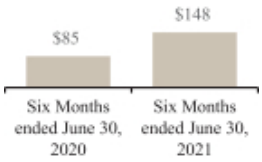
We have achieved strong growth in net revenue and profitability, as evidenced by the following achievements:

Comparison of the six months ended June 30, 2021 and June 30, 2020

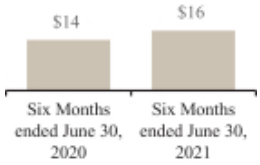
- Increased our net revenue to $355 million from $224 million, representing a growth rate of approximately 59%;
- Demand comparable growth increased approximately 82% versus a decrease of approximately 4%;
- Comparable growth increased approximately 53% versus a decrease of approximately 7%;
- Increased our gross margin as a percent of net revenue to 42% from 38%;
- Increased our net income to $16 million from $14 million, representing a growth rate of approximately 19%;
- Increased our adjusted EBITDA to $60 million from $31 million, representing a growth rate of 92%; and
- Increased our adjusted EBITDA as a percent of net revenue to 17% from 14%.

Net Revenue ($mm)

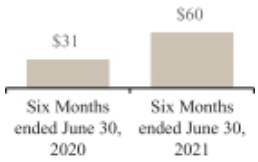
Gross Margin ($mm)



Net Income ($mm)



Adjusted EBITDA ($mm)(1)

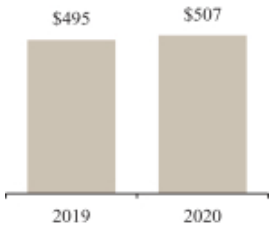


(1) For more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure calculated in accordance with GAAP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business."

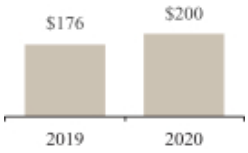
Comparison of the fiscal year ended December 31, 2020 and December 31, 2019

- Increased our net revenue to $507 million from $495 million, representing a growth rate of approximately 3%;
- Demand comparable growth increased approximately 25% and 4%, respectively;
- Comparable growth increased approximately 1% and 7%, respectively;
- Increased our gross margin as a percent of net revenue to 39% from 36%;
- Increased our net income to $18 million from $17 million, representing a growth rate of approximately 7%;
- Increased our adjusted EBITDA to $70 million from $50 million, representing a growth rate of 39%;
- Increased our adjusted EBITDA as a percent of net revenue to 14% from 10%; and
- Successfully opened five new Showrooms and relocated six Showrooms since 2019.

Net Revenue ($mm)



Gross Margin ($mm)



Net Income ($mm)

Adjusted EBITDA ($mm)(1)

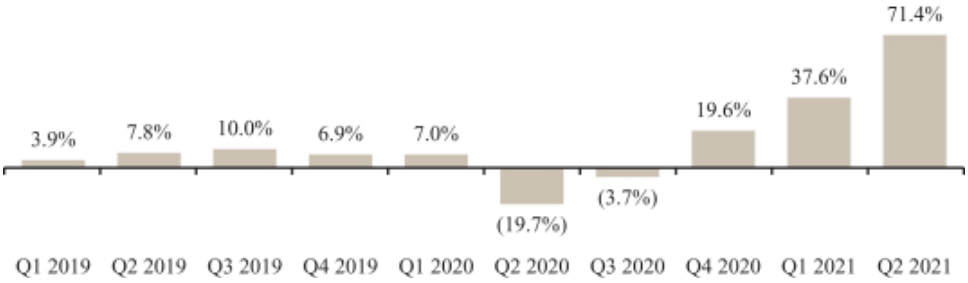
(1) For more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure calculated in accordance with GAAP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business."

Performance during 2020 and the COVID-19 Pandemic

In March 2020, the World Health Organization declared the disease caused by a novel strain of coronavirus or COVID-19, a global pandemic. In an effort to limit the spread of COVID-19, comply with public health guidelines and protect our employees, we temporarily closed all of our Showrooms in mid-March. Despite these challenges, our business has shown significant momentum since we reopened our Showrooms between May and June of 2020.

Due to a substantial expansion in client demand, our comparable growth was 20% in the fourth quarter of 2020. Comparable growth was approximately 1% for 2020 overall due to second and third quarter delays in client deliveries related to COVID-19. Demand comparable growth was approximately 25% in 2020 overall. Our long-standing direct sourcing partnerships were another significant contributor to our success, as they increased capacity to help facilitate net revenue during the significant shifts in consumer behavior that resulted in highly elevated demand. These relationships have been critical during periods of significant backlog across the global vendor community to help meet the unprecedented increase in consumer demand. As conditions normalize, we are excited to build on accelerating tailwinds and increased client demand. Going forward, we expect strong net revenue, which is recognized on a delivered basis, as the backlog unwinds.

Quarterly Comparable Growth



Our Competitive Strengths

A Differentiated Concept Delivering a Livable Luxury

We provide a unique and differentiated concept, redefining the premium home furnishing market by offering an attractive combination of design, quality, value and convenience. Artisan-crafted and globally curated, our products are highly differentiated from both small and large competitors, which we believe imparts inspirational sentiment to our clients. We create merchandise that offers a livable luxury style with elements of durability and practicality. We are welcoming to the entire family, including pets and children, providing us access to a broader and deeper market than the ultra-luxury category. We service our clients through our unique Showrooms, eCommerce platform, catalogs and high-quality client service. In a market characterized by smaller, independent competitors, we believe our premium lifestyle positioning, superior quality, significant scale and level of convenience enable us to increase our market share.

Highly Experiential Omni-Channel Approach

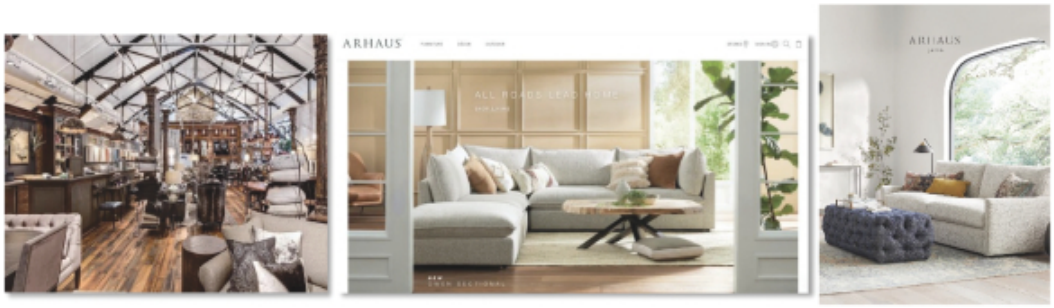
We strive to offer our products to our clients via our omni-channel approach to meet clients in every avenue in which they shop. We operate our business in a truly channel agnostic way. Leveraging our proprietary data and technology, we are able to meet our clients wherever they want to shop, whether online, mobile or in one of our 75 Showrooms. Our product development and omni-channel go-to-market capabilities, together with our fully integrated infrastructure and significant scale, enable us to offer a compelling combination of design, quality and value that we believe provides an unmatched omni-channel experience.

Showroom. Our inspirational Showrooms, which average 17,000 square feet, act as an exceptionally strong brand-building tool and drive significant traffic. Our theater-like Showrooms provide clients with an unparalleled "wow" experience, conveying our livable luxury concept in a tangible format designed to showcase product. Our highly trained and creative visual managers walk the floors daily to determine new ways to visually optimize and maximize the appeal and inspirational nature of our Showrooms. In addition to these visual managers, we also employ enthusiastic and knowledgeable sales associates that fully engage our clients and provide expert service and advice.

eCommerce. Our online capabilities are a critical entry point into our ecosystem, providing research and discovery while our full suite omni-channel model allows clients to begin or complete transactions online. Our online design services professionals and virtual tools complement our eCommerce platform by engaging clients and providing them with expert design advice and capabilities in their preferred channel.

Catalog. We distribute two large catalogs each year, a January and a September edition, in both an online and physical format to millions of households, which has yielded strong results. In fiscal year 2020, we distributed catalogs to millions of households. Catalogs drive both Showroom and eCommerce net revenue as they raise brand awareness and showcase new merchandise.

In-home Designer Services. Our in-home designers, who work with clients in the Showroom and travel to our clients' residences, work in unison with our Showrooms and eCommerce platform to drive client conversion, order size and overall experience. Our in-home designer services provide a more personalized client experience relative to our eCommerce platform and since 2017 have produced AOVs over three times that of a standard order. We welcome all clients to use our complimentary in-home designer services with no appointment required. Clients that engage with our in-home designer services program exhibit a significantly higher repurchase rate, with approximately 40% of those clients making five or more purchases throughout their client lifetime.



Strong Direct Global Sourcing Relationships

Our unique approach to product development enables us to gain market share, adapt our business to emerging trends and stay relevant with our clients. Our direct global sourcing relationships allow us to provide superior quality, differentiated customization and attractive value. We have long-standing relationships with our vendors which allow us a number of competitive advantages, including the ability to maintain consistent quality and ensure the majority of our products, approximately 95% of merchandise revenue in 2020, can only be purchased from Arhaus. Coupled with our direct global sourcing network, we maintain highly adept in-house product design and development experts that partner with our vendors to innovate and create highly customized offerings. Our experts venture the globe, searching for specific and inspiring aesthetics. Many of our products are originated and developed by our in-house design team as opposed to a third party. Our in-house design team is composed of a deep bench of over 20 highly skilled and experienced members. We continue to make significant investments in our product development capabilities, including recent key strategic hires. We believe these investments will allow us to enhance our competitive advantages of offering clients premium quality and customized product at a compelling value and ultimately drive net revenue growth.

In addition to furniture design, we have upholstery manufacturing capabilities. The sales of product from our manufacturing facility accounted for 40% of upholstery merchandise revenue and 16% of overall merchandise revenue in 2020. These capabilities allow us to create intricate, high quality products at attractive prices and margins. Our ability to innovate, curate and integrate products, categories, and services, then rapidly scale them across our fully integrated omni-channel infrastructure is a powerful platform for continued long-term growth. On average, approximately 50% of our merchandise revenue comes from U.S. vendors, providing maximum dependability and flexibility. Our vertical model and direct sourcing furnish clients with superior quality products and compelling value at attractive profit margins. We reported gross margin as a percent of net revenue of 42% in the six months ended June 30, 2021 and 38% in the six months ended June 30, 2020, and 39% in fiscal year 2020 and 36% in fiscal year 2019.

Superior and Consistent Unit Economics

Our inspirational, theater-like Showrooms have generated robust unit-level financial results, strong free cash flow and attractive, rapid returns. We have been successful across all geographic regions we have entered and have proven to be resilient to competitive entrants. Our Showrooms have performed well in large and small markets, urban and suburban locations and across various Showroom formats and layouts. Our New Showroom AUV was approximately $5.5 million in 2020. Our AUVs are relatively consistent across the Northeast, West, Midwest and South regions and Showrooms are typically profitable within one year of opening. Income from operations was $31.2 million in 2020 and New Showroom contribution was $13.3 million in 2020. This includes depreciation expense of $3.7 million. Net revenue and New Showroom net revenue was $507.4 million and $71.4 million in 2020, respectively. Total capital expenditure per new Showroom opened in 2020 was approximately $0.3 million. Our net investment per new Showroom opened in 2020 was approximately $0.6 million, and includes leasehold improvements, inventory and pre-opening expense. Further, our fully integrated and seamless omni-channel experience facilitates significant uplift in our markets.

Passionate Founder-Led Culture and Leadership

We are a company founded on the simple idea that furniture and décor should be responsibly sourced, lovingly made and built to last. John Reed, along with his father, founded Arhaus in 1986 and currently serves as our CEO. Since our founding, John has led our business and has an unwavering and relentless long-term commitment to Arhaus. We are also led by an accomplished and experienced senior management team with significant public company experience and a proven track record within our industry.

Since our founding, our goal has been to help make the world a little greener and to honor nature in everything we do. We are deeply committed to giving back to our communities and partnering with organizations that share our worldview. Our partnerships range from long-standing relationships with global artisans who share our commitment to responsibly sourcing materials to charities whose missions align with our values and culture, including American Forests and the Small World. We view these partnerships as integral to our culture and take great pride in doing right by all of our stakeholders.

Our Growth Strategies

We believe there is a significant opportunity to drive sustainable growth and profitability by executing on the following strategies:

Increase Brand Awareness to Drive Net Revenue

We will continue to increase our brand awareness through an omni-channel approach which includes the growth of our Showroom footprint, enhanced digital marketing, improvement in website features and analytics and continued assortment optimization:

Expand Showroom Footprint. Our Showrooms are a key component of our brand. We believe the expansion of our Showroom footprint will allow more clients to experience our inspirational Showroom and premium lifestyle concept, thereby increasing brand awareness and driving net revenue.

Enhance Digital Marketing Capabilities. Catalogs, mailings and social media engagement serve as important branding and advertising vehicles. Our omni-channel model contributes significantly to our brand awareness, evidenced by approximately 80% of our eCommerce merchandise revenue originating within 50 miles of a Showroom. We believe that our continued investment in brand marketing, data-led insights and effective consumer targeting will expand and strengthen our client reach.

Grow eCommerce Platform. eCommerce represents our fastest growing channel, with net revenue increasing by 64% in fiscal year 2020 compared to fiscal year 2019. We believe recent growth is related to consumers shifting their transaction type to an online format as a result of COVID-19, our strong product assortment, enhanced marketing efforts, and improved brand awareness. We believe our digital platform provides clients with a convenient and accessible way to interact with our brand and full product assortment. Our eCommerce platform provides convenience to our clients, enabling them to shop anywhere at any time and begin or complete transactions online. Our website is core to our omni-channel model and helps drive Showroom traffic, which ultimately results in robust client conversion. Furthermore, our eCommerce platform increases client engagement and streamlines product feedback.

Optimize Product Assortment. We continue building the right product assortment to attract new clients and encourage repeat purchases from existing clients. As of December 31, 2020, we offered approximately 6,600 stock SKUs and over 41,000 special order SKUs across indoor and outdoor furniture and home décor. We plan to expand our product offering across selected categories to provide a more fulsome portfolio that meets client needs. Additionally, we continue to refine our existing product offering by evolving designs, materials, fabrics and colors to capture constantly evolving trends.

Expand our Showroom Base and Capture Market Share

We operated 75 Showrooms in 27 states as of June 30, 2021. We have a Showroom presence in all four major geographic regions and our top 10 Showrooms by net revenue are located in 10 different states. We have a significant opportunity to grow density both in existing and new markets. We have built out a comprehensive and sophisticated infrastructure which we believe can support approximately 90 incremental Showrooms in over 40 new MSAs across the United States, 10 of which are currently in our pipeline. Currently, we are targeting between five and seven new Showroom openings and three to four relocations in 2022. We believe that we can achieve these figures given our proven history of opening new Showrooms and clear visibility into our new unit pipeline.

We employ a data-driven, thorough process to select and develop new Showroom locations. In selecting new locations, we combine data on specific market characteristics, demographics, client penetration and growth, considering the brand impact and opportunity of specific sites.

In addition to our current Showroom model, we are currently testing a Design Studio format (approximately 4,000 sq. ft.) that carries a highly curated product selection in smaller, yet attractive, markets. With the potential for over 165 Showrooms across the country and incremental opportunity to further expand our footprint with our Design Studio format, we believe we have a meaningful runway for Showroom growth over the next 15 years if we continue with our current Showroom expansion plans to open five to seven new Showrooms per year.

Enhance Omni-Channel Capabilities to Drive Growth

Our omni-channel approach begins in our visually captivating, theater-like Showrooms. We found that as Showrooms open in new markets, we experience significant growth in our eCommerce business and overall client engagement. Our unit growth strategy is highly complementary to our digital eCommerce platform. Our Showrooms drive brand awareness and create meaningful marketing buzz and volume uplift when we open in new markets.

To further strengthen client engagement and increase client interactions, we have expanded our in-home designer capacity as well as our online designer program. Similar in concept to our in-home program, our online platform provides clients with expert service and advice from our leading in-home design professionals via online video chat features as well as virtual design capabilities. We believe bolstering this component of the client experience will drive higher client satisfaction, and ultimately result in larger total company AOV over time.

In 2020, our eCommerce business experienced 64% growth based on net revenue in an online-driven environment, but we believe we can grow our eCommerce business even further due to the investments we are making today and the opportunity that lies ahead. To further bolster our omni-channel capabilities, we plan to launch a new website in the fourth quarter of 2021 to enhance our virtual Showroom experience. We recognize that clients want the option to shop online while having the tools to make smart decisions. We see great promise in virtual shopping tools as they not only make the shopping process more interactive and enable our clients to visualize our products in their homes, but also boost conversion rates and drive incremental traffic.

Deepen Client Relationships Through Technology

We believe there is an opportunity to improve client engagement, meeting clients when, where and how they want to shop. Clients increasingly engage with us through digital methods including our website and social media. In 2018, we had approximately 11 million online visitors. Website visitors grew approximately 67% in 2020 versus 2019 to over 20 million. We also doubled our Instagram following each year from 2018 to 2020 and currently have over one million followers. To capitalize on these trends and continue increasing our client base, we are heavily investing in data analytics to improve the client journey from the moment clients start browsing online or enter our Showrooms. Developing this capability will allow us to target clients with personalized digital offerings to increase online conversion and client lifetime value. We are also investing in Showroom technology, including the installation of touch screen TVs and other A/R tools to enhance the client experience. The preliminary data from our new Design Studio format, which leverages these state-of-the-art platforms, indicates overwhelming positive receptivity from our client-base as the new format is outperforming our expectations. We see tremendous growth potential across our digital platform and omni-channel experience by increasing our ability to make data-driven decisions and maintaining a comprehensive focus on the client journey, and will continue to innovate and invest in value-added technological capabilities.

Leverage Investments to Enhance Margins

We have the opportunity to further enhance operating margins by continuing to focus on our distribution efficiency and manufacturing capacity.

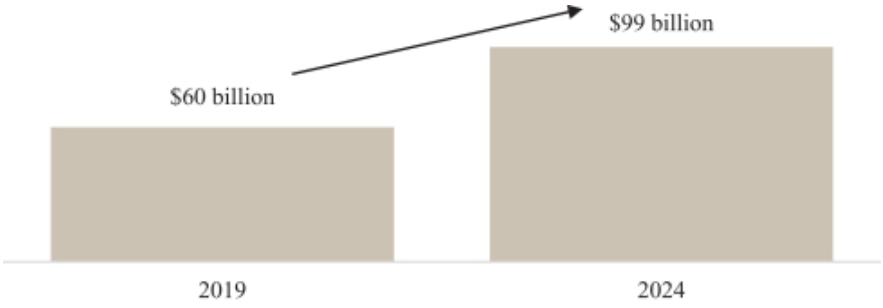
Enhanced Distribution Efficiency and Capacity. We have made and will continue to make substantial investments in our infrastructure including our distribution network, IT capabilities and corporate office, which improves operational efficiency and readies our platform for the next stage of growth. Our existing distribution center and corporate office in Ohio will be expanded by approximately 230,000 square feet. Our new North Carolina facility will contain approximately 310,000 square feet of distribution center. Furthermore, we are contemplating an additional distribution center to help streamline shipping times and further support our rapidly growing demand.

Increasing Domestic Manufacturing Capacity. Our new North Carolina facility, expected to open in late 2021, will double our in-house product manufacturing capacity, increasing facility square footage from 150,000 to 190,000.

Our Industry and Market Opportunity

We operate within the large, growing and highly fragmented approximately $340 billion U.S. home furnishings and décor market. We primarily compete in the premium segment within the U.S. home furnishings and décor market, which we currently estimate accounts for approximately $60 billion of the total market based on third-party estimates of retail sales in 2019, publicly available industry data and our internal research. We believe that the premium segment has a potential CAGR of approximately 10% between 2019 and 2024, nearly double that of the $340 billion U.S. home furnishings and décor market.

Forecasted Premium Furniture Segment Market Growth(1)



(1) Based on management estimates, third party estimates, publicly available industry data and internal research.

Highly Fragmented Market, Characterized by Many Independent Operators

The U.S. home furnishings and décor market is highly fragmented with approximately 23,600 retailing establishments nationwide according to Home Furnishings Business. The U.S. furnishing and décor market is highly fragmented and largely composed of smaller, independent operators, which we believe offers us an opportunity to grow our market share through our scale, resources and omni-channel presence. As a result of the COVID-19 pandemic, many home furnishings retailers were forced to close Showrooms for significant periods of time, dramatically reducing revenue and profitability. In many instances, small independent operators suffered from permanent closures as they lacked the operational and financial resources available to larger businesses. Over our 35 year history, we have developed a direct global sourcing network consisting of over 400 vendors, which brings purchasing scale and enables us to effectively compete in the industry as we can provide a large breadth of unique, globally inspired products that resonate with our clients. Based on our estimates, our annual net revenue currently represents less than 1% of the approximately $60 billion premium segment, providing us with a substantial opportunity to benefit from market share gains in what has traditionally been a highly fragmented market and continue to grow our revenue.

Continued Growth of High-Income Households

Our client base is primarily comprised of households with incomes of $100,000 or greater, which we believe over index on premium furnishings and décor and represent approximately 80% of our clients. Over time, more and more households have met this income threshold in the United States, according to the U.S. Census Bureau, with the percentage of these high-earning units increasing by approximately 7.3% since 2009. We believe these households are a highly attractive demographic as they tend to be more insulated from economic downturns and, consequently, are well-positioned to return to normalized spending levels. As such, we continue to experience the benefits of accelerated housing turnover for homes worth over $1 million, which, according to the National Association of Realtors, is growing by greater than 100% year-over-year as of May 2021, driven by increasing home prices and a rising equity market.

U.S. Households by Total Money Income (>$100K)

Source: U.S. Census Bureau (2020). Income and Poverty in the United States: 2019, Table A-2.

Increase in Suburbanization

Beginning in 2020, a large increase in suburbanization trends and a shift in households away from larger cities was observed in the United States. According to a Wall Street Journal analysis of U.S. Postal Service permanent change-of-address-data through 2020, net new suburban households from migration rose 43% in 2020 compared to 2019, as households moved to less-dense areas and into larger homes. This suburbanization trend was driven by wealthier city neighborhoods, which experienced the biggest population losses from migration. We believe this suburbanization trend will continue to provide meaningful tailwinds as these wealthier households move out of cities and into larger homes requiring more furniture and in-home designer services. Additionally, according to analysis by real estate firm Redfin, mortgage applications for second homes as of April 2021 have experienced 11 straight months of over 80% growth year-over-year, nearly double pre-pandemic levels. We believe this increased demand for vacation homes by affluent Americans will add to the meaningful tailwinds for the premium home furnishings industry.

Benefiting from Secular Trends

We believe we are well positioned to capitalize on favorable secular trends in the housing and home furnishing sectors given our highly experiential omni-channel model. Some of these ongoing trends include an increase in the work-from-home environment, expanding general home spend, rapid expansion in digital shopping and an increase in Millennials' spending power with a growing desire to purchase homes as they begin to start families. These dynamics present a unique and favorable opportunity for sustainable growth in our business.

Our Products, Sourcing and Product Development

We are a lifestyle brand and omni-channel retailer of premium home furnishings. We sell artisan-quality products that embody our emphasis on livable luxury. Our unique concept is dedicated to bringing clients heirloom quality, artisan-made furniture and décor. We travel the globe gathering inspiration for and curating our collection, as well as sourcing vendors that provide quality materials and artisan craftsmanship. Our products, the majority of which are exclusive to us, are designed to be used and enjoyed throughout the home. We offer a wide range of product categories, including furniture, lighting, textiles, décor and outdoor, to furnish the entire home. Our furniture product offerings are comprised of bedroom, dining room, living room and home office furnishings and include sofas, dining tables and chairs, accent chairs, console and coffee tables, beds, headboards, dressers,

desks, bookcases and modular storage, among many more. Our lighting product offerings are comprised of a variety of distinct and artistic lighting fixtures, including chandeliers, pendants, table and floor lamps, and sconces. Our textile product offerings include handcrafted indoor and outdoor rug, bed linens, and pillows and throws. Décor ranges from wall art to mirrors, and vases to candles, among many other decorative accessories. Our outdoor product offerings include outdoor dining tables, chairs, chaises and other furniture, lighting, textiles, décor, umbrellas and firepits.

Our products are sourced both in-house through our manufacturing facility and directly from factories and suppliers with no wholesale or dealer markup, allowing us to offer an exclusive assortment at an attractive value. Our sourcing strategy focuses on identifying and working with vendors who share our vision for creating heirloom-quality products with artisan craftsmanship. We seek to ensure the quality of our vendors' products through periodic site visits, audits and inspections. Our direct sourcing network consists of more than 400 vendors, some of which we have had relationships with since our founding. We do not have long-term contracts with our vendors, but we believe we have strong relationships with them. Several vendors have made investments to meet our growing demands. We have a well-diversified vendor base with over 400 vendors and our top 10 vendors representing only 60% of our merchandise revenue. Only one of our vendors accounts for more than 10% of our merchandise revenue, and no other vendor accounts for more than 6% of merchandise revenue. In 2020, approximately 50% of our merchandise revenue were produced or sourced from domestic vendors.

We have established a product development program that is fully integrated from design creation to client presentation. We have established a collaborative, cross-functional organization centered on product leadership and coordinated across our product development, sourcing, merchandising, inventory and creative teams. Our product teams are focused on maximizing the net revenue potential of each product category across all channels, which eliminates channel conflicts and functional redundancies. For many of our products, we work closely with our network of artisan partners who possess specialized product development and manufacturing capabilities and who we consider an extension of our product development team. We collaborate with our global network of specialty vendors and manufacturers to produce artisanal pieces of high quality and value, including both distinctive original designs and reinterpretations of antiques. In addition, our product development program, sourcing capabilities and scale enable us to reduce our product costs.

Omni-Channel Approach Channels

We distribute our products through an omni-channel model comprised of our Showrooms, eCommerce platform, catalog and in-home designer services. We position our retail locations as Showrooms for our brand, while our website and eCommerce platform act as a virtual extension of our Showrooms. Our omni-channel model allows clients to begin or end their shopping experience online while also experiencing our theater-like Showrooms throughout the shopping process. We believe our omni-channel approach enables us to offer a compelling combination of design, quality and value.

Showrooms

As of June 30, 2021, we had 75 Showrooms, including three Outlet stores, across 27 states in the United States. Our average Showroom size is 17,000 square feet. Our theater-like Showrooms are highly inspirational and function as an invaluable brand awareness vehicle. Our Showrooms convey our livable luxury concept in a tangible format design to showcase product in fully appointed rooms and to help clients reimagine their homes. Vignettes are carefully curated by our merchants at our mock Showroom in our corporate headquarters building. Each Showroom may vary in product display and design elements depending on regional factors influencing client design preferences. Our Showroom layouts constantly change as our visual managers walk the floors regularly to determine new ways to visually optimize and maximize the appeal and inspirational nature of our Showrooms. Our seasoned sales associates provide valued insight and advice to our client base that drive significant client engagement. Our sales associates earn commissions, which can comprise a significant portion of their compensation.

The map below reflects the locations of our 75 Showrooms as of June 30, 2021:

The following list shows the number of Showrooms and Outlets in each U.S. state where we operate as of June 30, 2021:

Location	Showrooms	Location	Showrooms
Alabama	1	Michigan	3
Arizona	2	Minnesota	1
California	5	Missouri	1
Colorado	3	New Jersey	3
Connecticut	2	New York	3
Florida	6	North Carolina	2
Georgia	2	Ohio	9
Illinois	5	Pennsylvania	3
Indiana	1	South Carolina	1
Kansas	1	Tennessee	1
Kentucky	2	Texas	6
Louisiana	1	Virginia	4
Maryland	4	Wisconsin	1
Massachusetts	2		

eCommerce

Our primary website allows our clients to experience the unique lifestyle settings reflected in our Showrooms and catalogs, and to shop our current product assortment. Our website also provides our clients with the ability to chat with a designer through our online design services tools and purchase our merchandise online. We update our website regularly to reflect new products, product availability and special offers. In 2020, our website logged over 20 million unique visits.

We plan to a launch a new website in the fourth quarter of 2021 to enhance our virtual Showroom experience. Our new website will create a more interactive shopping process through the use of virtual shopping tools to aid clients in visualizing our products in their homes.

Catalog

Our January and September catalogs are distributed in both digital and physical formats. In addition to the two seasonal catalogs, we distribute catalogs for specific categories such as outdoor furnishings and special collections. We design and produce our catalogs in-house to ensure consistency with our brand.

In-Home Designer Services

We offer a complimentary in-home designer services program, through which our in-home designers provide expert advice and assistance to our clients. These in-home designers partner with our in-Showroom design consultants to efficiently drive net revenue and since 2017 have produced AOVs over three times that of a standard order.

In-home designers work with clients in the Showrooms, via chat and video conferencing, as well as in the client's home to measure the client's space, design a room that contains the right design elements for the client, and may help facilitate the delivery experience. In-home designers provide clients with a luxury experience and help the client envision their new space.

Real Estate Strategy

Our Showrooms have historically been in high traffic locations, and we favor top tier locations near luxury and contemporary retailers that we believe are consistent with our target clients' demographics and shopping preferences.

From January 1, 2019 to June 30, 2021, we have successfully opened or relocated 14 new Showrooms in ten markets, including five new markets. Our recent Showroom growth is summarized in the following table:

	Six Months Ended June 30, 2021	Fiscal Year 2020	2019
Showrooms open at beginning of period	74	70	70
Showrooms opened	3	7	4
Showrooms closed for relocation	2	2	4
Showrooms closed permanently	0	1	0
Showrooms open at end of period	75	74	70

We believe there is significant whitespace to grow our omni-channel model across the United States. Based on our surveys conducted and recently commissioned studies, we believe there is potential to more than double our current Showroom base to more than 165 locations in both new and existing markets. The rate of future growth in any particular period is inherently uncertain and subject to many factors that are outside our control. We expect to target opening between five and seven new stores per year, which indicates we would fulfill the whitespace potential within the next 15 years. We expect to continue to be disciplined in our approach to opening Showrooms in top tier locations.

Currently, we are targeting between five and seven new Showroom openings and three to four Showroom relocations in 2022.

We undertake an analytical and thorough process to select new Showroom locations. Our management team works with the real estate committee of the board to identify potential markets and attractive locations.

Distribution and Delivery

We manage the distribution and delivery of our products through our distribution facility in Boston Heights, Ohio. We are in the process of adding a second distribution and manufacturing facility in North

Carolina, which is expected to be in operation in the fourth quarter of 2021. Both of these distribution facilities will serve all of our channels. Our Boston Heights, Ohio facility is approximately 774,000 square feet and serves as a distribution center for all of our products. This facility will be expanded by approximately 230,000 square feet. Our facility in North Carolina will have approximately 497,000 square feet of space, with approximately 310,000 square feet dedicated to distribution.

We offer a white glove home delivery service for our furniture, larger décor, uniquely shaped items and other fragile items where our delivery team unpacks, inspects, assembles and places clients' products in their room of choice, as well as removes all packaging. We partner with third-party vendors to provide home delivery services to our clients.

Marketing and Advertising

We use a variety of marketing and advertising vehicles to drive client traffic across all of our channels, strengthen and reinforce our brand awareness, attract new clients and encourage repeat purchases from existing clients. We believe our Showrooms, catalogs, mailings and social media engagement, among other things, act as important branding and advertising vehicles.

In fiscal year 2020, we distributed catalogs to millions of households, and our website logged over 20 million unique visits. Our catalogs present our merchandise in lifestyle settings that reflect our unique and differentiated brand. Catalogs drive both Showroom and eCommerce net revenue as they raise brand awareness and showcase new merchandise.

As in our Showrooms, our catalogs present our merchandise in lifestyle settings that reflect our unique design aesthetic. Our catalogs also feature profiles of select artisan vendors. All creative work on our catalog is coordinated in-house, providing us greater control over the brand image presented to our clients, while also reducing our production costs.

Our catalogs serve as a key driver of net revenue through both our retail locations and website. Our clients respond to the catalogs across all of our channels, with net revenue trends closely correlating to the assortments that we emphasize and feature prominently in our catalogs, website and Showrooms. We continue to evaluate and optimize our catalog strategy based on our experience.

We maintain a database of client information, which includes net revenue patterns, detailed purchasing information and certain demographic information, as well as mailing and email addresses. We mail our catalogs to addresses within this database and to addresses provided to us by third parties. The database supports our ability to analyze our clients' buying behaviors across channels and facilitates the development of targeted marketing strategies and is maintained in accordance with our privacy policy.

In addition, we will continue to increase our brand awareness by expanding our Showroom footprint, enhancing digital marketing, and improving our website features and analytics. We believe that these efforts will drive increased brand awareness and lead to higher net revenue in our Showrooms and eCommerce business over time. For example, based on third-party reports and management estimates, we believe our brand awareness is significantly underpenetrated as compared to some of our large, national retail competitors, demonstrating a strong potential to expand our marketing and advertising efforts.

Seasonality

Our quarterly results vary depending upon a variety of factors, including changes in our product offerings and the introduction of new merchandise assortments and categories, the opening of new retail locations, shifts in the timing of various events quarter over quarter including holidays and other events such as Showroom closures, the timing of our catalog releases, promotional events and the timing and extent of our realization of the costs and benefits of our numerous strategic initiatives, among other things. As a result of these factors, our working capital requirements and demands on our product distribution and delivery network may

fluctuate during the year. Unique factors in any given quarter may affect period-to-period comparisons between the quarters being compared, and the results for any quarter are not necessarily indicative of the results that we may achieve for a full fiscal year.

Competition

The U.S. home furnishings and décor market is highly fragmented and competitive with approximately 23,600 retailing establishments nationwide according to Home Furnishings Business. We compete with national and regional home furnishing retailers, department showrooms, mail-order catalogs, online retailers focused on home furnishings, interior design trade and specialty showrooms, antique dealers and other merchants that provide unique items and custom-designed product offerings. We believe we compete primarily on the basis of our design, quality, value and convenience. Our vertical model and deep network of direct sourcing relationships allow us to bring to market higher quality products at more competitive price points than our competitors. We believe our distinctive brand based on livable luxury, our strong direct global sourcing relationships, and our highly experiential omni-channel approach allow us to compete effectively and differentiate ourselves from competitors.

Intellectual Property

We rely on copyright and trademark laws, as well as confidentiality agreements, license agreements, and similar contracts to establish and protect our proprietary rights. We maintain a policy requiring our employees to acknowledge that any work product created by them during their employment belongs to us and requiring contractors to assign intellectual property they create to us. We also require all third parties with which we share confidential information to enter into confidentiality agreements to control access to and use of our confidential information.

The “Arhaus,” Arhaus Furniture,” “Arhaus the Loft,” “Arhaus Your Home” and “Arhaus Table” trademarks are registered in the United States Patent and Trademark Office. The “Arhaus” trademark is registered with the China National Intellectual Property Administration (CNIPA) and the Canadian Intellectual Property Office. Our trademark registrations are renewable at the end of their term, except for “Arhaus Table” which is scheduled to expire on July 28, 2025 and will not be renewed because of nonuse. In addition, we own the domain names “arhaus.com,” “arhaus.net,” and “arhausfurniture.com”. These domain names are renewable. Our intellectual property has significant value and we vigorously protect it against infringement. We engage a company, CompuMark, that monitors third party trademark filing in jurisdictions relevant to our business and, when appropriate, we send cease and desist letters and similar communications to those that file for or use trademarks that are potentially confusing similar to our brands.

Human Capital

As of June 30, 2021, we had approximately 1,460 employees and 80 temporary employees, including approximately 100 part-time employees. As of that date, approximately 730 of our employees were based in our Showrooms, 240 of our employees were based in our distribution center, 200 of our employees were based in our manufacturing facility, and 370 of our employees were based in our corporate headquarters. None of our employees are represented by a union, and we have had no labor-related work stoppages. We consider our relationship with our employees to be positive.

We are currently managed by a group of experienced senior executives, including our Founder, Chairman and Chief Executive Officer, John Reed, and other key team members with substantial knowledge and understanding of the industry sector in which we operate. Our success and future growth depend largely upon the continued services of our management team, as well as our qualified associates across all parts of our organization, including our Showrooms, distribution centers and manufacturing facilities, many of whom have been promoted from within Arhaus.

We believe that much of our success is rooted in the diversity of our teams and our commitment to inclusion. We value diversity at all levels and focus on extending our diversity and inclusion initiatives across our entire workforce.

Properties

Our headquarters and primary distribution center are located at 51 E. Hines Hill Road, Boston Heights, Ohio, just outside of Cleveland, Ohio. The following table sets forth the location, use and size of our corporate, distribution, manufacturing and warehouse facilities as of June 30, 2021:

Location	Use	Approximate Square Footage
Boston Heights, Ohio(1)	Corporate headquarters and distribution center	774,000
Conover, North Carolina(1)	Distribution center and manufacturing facility	497,000
Walton Hills, Ohio(1)	Warehouse	122,507
Showrooms and Outlets(1)(2)	Retail	1,274,034

(1) See “Certain Relationships and Related Party Transactions—Lease Agreements” for further information on the certain lease terms.

(2) We lease our Showrooms and Outlets in multiple locations.

We believe that our current headquarters and facilities are well maintained.

Regulation and Legislation

We are subject to numerous regulations, including labor and employment laws, customs, laws governing truth-in-advertising, consumer protection, privacy, safety, real estate, environmental and zoning and occupancy laws, and other laws and regulations that regulate retailers and govern the promotion and sale of merchandise and the operation of our Showrooms, manufacturing and distribution facilities, in the United States as well as in jurisdictions from which we source products. We believe we are in material compliance with laws applicable to our business.

During fiscal year 2020, various regulations and policies aimed at reducing the transmission of COVID-19, including the requirement to close our Showrooms, had a material impact our results of operations, and these or similar regulations and policies could affect our business in future periods.

Environmental, Health, and Safety Regulation

Our operations are subject to a variety of federal, state, local and foreign laws and regulations relating to health, safety and the protection of the environment. These environmental, health and safety laws and regulations include those relating to, among other things, the generation, storage, handling, use and transportation of hazardous materials; the emission and discharge of hazardous materials into the environment; and the health and safety of our employees. Liability for the improper release or disposal of waste can be joint and several and there can be no assurance that we will not have to expend material amounts to remediate the consequences of the generation or disposal of waste in the future. Further, we may be responsible as a lessee operator for the costs of investigation, removal or remediation of hazardous substances located on or in or emanating from leased property, as well as any property damage. There can be no assurance that our future operations or property conditions will not result in the imposition of liability upon us under environmental laws or expose us to third-party actions such as tort suits.

We are also subject to certain reporting and labeling requirements under California's Proposition 65, officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986. Proposition 65 requires manufacturers, distributors, suppliers, and retailers of a consumer product in California that contains certain listed chemicals to provide consumers with a clear and reasonable warning if exposure to that listed chemical poses a certain level of risk to the consumer. We have taken measures to comply with the requirements of Proposition 65, but there is no guarantee that we will not be subject to fines, penalties, and lawsuits and complaints in the future.

Failure to comply with such laws and regulations, which tend to become more stringent over time, can result in significant fines, penalties, costs, liabilities which may be joint and several or restrictions on operations, civil or criminal sanctions, and could expose us to costs of investigation or remediation, as well as tort claims, and could negatively affect our business, financial condition or results of operations.

Legal Proceedings

From time to time, we have and we may become involved in legal proceedings arising in the ordinary course of business, including claims related to our employment practices, claims of intellectual property infringement and claims related to personal injuries and product liability for the products that we sell and the Showrooms we operate. Any claims could result in litigation against us and could result in regulatory proceedings being brought against us by various federal and state agencies that regulate our business. Defending such litigation is costly and can impose significant burden on management and employees. Further, we could receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurance that favorable final outcomes will be obtained.

We are currently not a party to any legal proceedings, the outcome of which, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, financial condition or results of operations.

MANAGEMENT

The following table sets forth information about our executive officers and directors, including their ages as of July 1, 2021. Each of the executive officers has served in the same capacity with our Arhaus, LLC, and each of the directors and director nominees has served as a director of Arhaus, LLC.

Name	Age	Position
Executive Officers		
John Reed	66	Chief Executive Officer and Director
Dawn Phillipson	40	Chief Financial Officer
Jennifer Porter	39	Chief Marketing Officer
Dawn Sparks	59	Chief Logistics Officer
Kathy Veltri	59	Chief Retail Officer
Venkat Nachiappan	46	Chief Information Officer
Lisa Chi	46	Chief Merchandising Officer
Non-Employee Directors and Director Nominees		
Albert Adams	70	Director
Bill Beargie	65	Director Nominee
Brad J. Brutocao	47	Director
Rick Doody	62	Director Nominee
Andrea Hyde	56	Director Nominee
John Kyees	74	Director Nominee
Gary Lewis	63	Director Nominee
John M. Roth	62	Director Nominee

Executive Officers

John Reed co-founded Arhaus in 1986 and has served on the board of directors of Arhaus, LLC since its formation in December 2013, and served as our Chief Executive Officer from January 1997 through December 2015 and February 2017 through present. We believe Mr. Reed is qualified serve on our board of directors because of, among other things, his extensive knowledge and experience with the business and his role as our Founder and Chief Executive Officer.

Dawn Phillipson has served as our Chief Financial Officer since February 2019. Ms. Phillipson previously served as our Senior Vice President, Finance from May 2017. Prior to that, Ms. Phillipson served in various roles of increasing responsibility in our finance department. Prior to joining the Company in 2016, Ms. Phillipson worked at Signet Jewelers in the Investor Relations department from 2011 to 2016.

Jennifer Porter has served as our Chief Marketing Officer since September 2019. Ms. Porter previously served as Head of Marketing at Anthropologie from 2018 to 2019. Prior to that, Ms. Porter served in various marketing roles such as Head of Marketing, Director of Global Marketing and Director of International Marketing at Forever 21 from 2014 to 2018.

Dawn Sparks has served as our Chief Logistics Officer since January 2019. Ms. Sparks previously served as Director of DC Operations from 2014 to 2017, then served as Vice President of DC Operations from 2017 until January 2019. Prior to that, Ms. Sparks served as Brand Integration Manager at Dots from 2008 to 2014.

Kathy Veltri has served as our Chief Retail Officer since March 2019. Ms. Veltri previously served as Senior Vice President of Retail Operations since 2017. Prior to that, Ms. Veltri served as Executive Vice President of Sales at Gardner White from 2015 to 2016 and was President of Thomasville, a division of Furniture

Brands, from 2013 to 2014. Thomasville filed a petition for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code in September 2013. Previously, Ms. Veltri worked at Arhaus as SVP of Retail Operations and Marketing from 2006 to 2013.

Venkat Nachiappan has served as our Chief Information Officer since May 2021. Prior to joining Arhaus, he was with J Crew, Inc. from 2017 to 2021, where he served as Vice President, Enterprise Systems, from 2017 to 2019, Senior Vice President, Enterprise Systems, from 2019 to 2020, and Senior Vice President, Enterprise Systems, Stores Systems and Analytics from 2020 to 2021. Mr. Nachiappan was Vice President, Enterprise Applications & Reporting Systems with Ann, Inc. from 2015 to 2017, having joined Ann, Inc. in 2013.

Lisa Chi was has served as our Chief Merchandising Officer since July 2021. Ms. Chi previously served as a Consultant in merchandising and product development at Arhaus, LLC from March 2021 to June 2021. Prior to that, Ms. Chi served as Senior Vice President of Merchandising, Inventory Management, Procurement and Quality, RH Shanghai and RH Manufacturing at Restoration Hardware from March 2017 to June 2020. Previously, Ms. Chi served as Senior Vice President of General Merchandise Manager of Stores, Digital and Catalog at Talbots from July 2014 to March 2016.

Non-Employee Directors and Director Nominees

Albert Adams has served as a member of our board since July 2021, on the board of directors of Arhaus, LLC since 2014, and joined the board of directors of the predecessor of Arhaus, LLC in 2001. Mr. Adams joined Baker & Hostetler LLP in 1977, became a partner in 1984 and served as a member of its governing body between 1993 to 2014. Mr. Adams' practice is in the business and corporate areas, with special emphasis on the structuring and financial aspects of business transactions. Mr. Adams has served as a director of numerous private businesses and six public companies. He also has been a board member or trustee of a number of community and charitable organizations, including the Cleveland Chapter of the American Red Cross, the Center for Families and Children, the Greater Cleveland Roundtable, the Greater Cleveland Sports Commission, the Corporate College (a division of Cuyahoga Community College), the Western Reserve Historical Society, Learning Disability Associates and the Karamu Playhouse. We believe Mr. Adams is qualified to serve on our board of directors because of his combination of legal and business skills, and his extensive experience in advising public and private companies in various capacities, including with respect to capital markets activity, business combinations and corporate governance.

Bill Beargie, one of our director nominees, has served as a member of the board of directors of Arhaus, LLC since 2014, and joined the board of directors of the predecessor of Arhaus, LLC in 2001. Mr. Beargie has been a CPA for Card, Palmer, Sibbison & Co since 2015. Mr. Beargie was Chief Financial Officer and Administrative Vice President of Arhaus from 1987 to 1997. We believe Mr. Beargie is qualified to serve on our board of directors because of his extensive experience in accounting and finance and his familiarity with the Company as its former Chief Financial Officer

Brad J. Brutocao has served as a member of our board since July 2021 and on the board of directors of Arhaus, LLC since January 2014. Mr. Brutocao joined Freeman Spogli in 1997 and became a partner in 2008. Prior to joining Freeman Spogli, Mr. Brutocao worked at Morgan Stanley & Co. in the Mergers and Acquisitions and Corporate Finance departments. In addition, Mr. Brutocao is a member of the board of directors of several private companies and previously served as a director of Floor & Decor Holdings, Inc. from November 2010 to December 2020 and Boot Barn Holdings, Inc. from December 2011 to June 2019. We believe Mr. Brutocao is qualified to serve on our board of directors because of his experience managing investments in, and serving on the boards of, companies operating in the retail and consumer industries.

Rick Doody, one of our director nominees, has served as a member of the board of directors of Arhaus, LLC since . Mr. Doody was the Chairman and Founder of Bravo/Brio Restaurant Group (BBRG) and served as

chairman from 1992 to 2018. Mr. Doody owns three other restaurant concepts in the Cleveland area: Cedar Creek Grille, Lindey's Lake House and Bar Italia. Mr. Doody is a member of the Young Presidents' Organization (YPO), and serves on the boards of University Hospital's Ahuja Medical Center, Lindey's, Stella Maris Rehabilitation Center, and the Boys and Girls Club of Cleveland. We believe Mr. Doody is qualified to serve on our board of directors because of his. substantial management, operational and entrepreneurial experience with a number of restaurant concepts.

Andrea Hyde, one of our director nominees, has served as a member of the board of directors of Arhaus, LLC since January 2018. Ms. Hyde is the founder and President of Hyde & Chic Inc., a business growth strategy consulting firm. Prior to founding Hyde & Chic Inc. in January 2018, Ms. Hyde was Chief Executive Officer of Draper James from 2014 to 2017. Prior to her role at Draper James, Ms. Hyde was President of Burch Creative Capital, President & Chief Executive Officer of French Connection USA, Senior Vice President of Global Marketing and Communications at Kenneth Cole Productions, and held various other marketing related roles. We believe Ms. Hyde is qualified to serve on our board of directors because of her extensive experience in managing, marketing and branding lifestyle retail concepts and knowledge of multi-channel platforms.

John Kyees, one of our director nominees, has served as a member of the board of directors of Arhaus, LLC since November 2011. Mr. Kyees has held the Chief Financial Officer role at the following retailers: Urban Outfitters, Inc. from 2003 to 2010 bebe Stores, Inc. from 2002 to 2003, Skinmarket from 2000 to 2002, Ashley Stewart from 1997 to 2002, Express (Division of the Limited) from 1984 to 1997, and Chas. A. Stevens (Division of Hartmarx) from 1982 to 1984. Mr. Kyees currently serves on the board of directors of Vera Bradley as lead independent director and chairman of the audit committee, and previously served as chairman and a director of Destination XL Group, Inc. We believe Mr. Keyes is qualified to serve on our board of directors because of his extensive executive-level retail experience having served as Chief Financial Officer for several prominent retailers.

Gary Lewis, one of our director nominees, has served as a member of the board of directors of Arhaus, LLC since January 2014 and joined the board of directors of the predecessor to Arhaus, LLC in September 2013. Mr. Lewis has been a principal at GLA Real Estate since 2013. Prior to his role at GLA Real Estate, Mr. Lewis was Senior Executive Vice President and President of the Mall Leasing Division at Simon Property Group from 1986 to 2013. Mr. Lewis also guest teaches in the Ring Distinguished Speakers series in the Bergstrom Center for Real Estate in the Warrington College of Business Administration at the University of Florida, and is a member of the International Council of Shopping Centers (ICSC). We believe Mr. Lewis is qualified to serve on our board of directors because of his substantial experience in retail real estate, including the representation of landlords and tenants in lease negotiations, and experience leading and overseeing new construction, renovations and expansions of retail and mixed-use projects.

John M. Roth, one of our director nominees, has served as a member of the board of directors of Arhaus, LLC since January 2014. Mr. Roth joined Freeman Spogli in 1988 and has been a partner since 1993. Mr. Roth currently serves as a member of the board of directors of El Pollo Loco Holdings, Inc. and previously served as a director of Floor & Decor Holdings, Inc. from November 2010 to December 2020. We believe Mr. Roth is qualified to serve on our board of directors because of his extensive experience as a board member of numerous retail and consumer businesses and his experience and insights into strategic expansion opportunities, capital markets and capitalization strategies.

Corporate Governance

Composition of our Board of Directors

After the closing of this offering, our business and affairs will be managed under the direction of our board of directors. Our board of directors will be composed of nine directors.

Pursuant to the terms of the investor rights agreement, the Freeman Spogli Funds will be entitled to nominate (a) two directors for election to our board of directors for so long as the Freeman Spogli Funds collectively hold % or more of the shares of Class A common stock held by Freeman Spogli Funds immediately prior to the completion of this offering, and (b) one director for election to our board of directors for so long as the Freeman Spogli Funds collectively hold % or more of the shares of Class A common stock held by Freeman Spogli Funds immediately prior to the completion of this offering. Pursuant to the terms of the investor rights agreement, the Freeman Spogli Funds, our Founder and the Class B Trusts will agree to vote in favor of the Freeman Spogli Funds' nominees.

Director Independence

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our board of directors has determined that Ms. Hyde and Messrs. Adams, Beargie, Brutocao, Doody, Kyees, Lewis and Roth qualify as "independent directors," as defined under the rules of Nasdaq.

Controlled Company Exception

After the consummation of the Reorganization, the parties to the investor rights agreement will hold approximately % of the voting power of our outstanding capital stock. As a result, we will be a "controlled company" within the meaning of the corporate governance rules of Nasdaq. As a controlled company, certain exemptions under the rules will mean that we are not required to comply with certain corporate governance requirements, including that a majority of our board of directors consists of independent directors, that we have a nominating and corporate governance committee that consists entirely of independent directors, and that we have a compensation committee that consists entirely of independent directors.

Classified Board of Directors

In accordance with our amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, our board of directors will be classified into three classes with staggered three-year terms. At each annual meeting of the stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- the Class I directors will be , , and , and their terms will expire at the annual meeting of stockholders to be held in 2022.
- the Class II directors will be , , and , and their terms will expire at the annual meeting of stockholders to be held in 2023.
- the Class III directors will be , , and , and their terms will expire at the annual meeting of stockholders to be held in 2024.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which will operate under a charter that will be posted on our website. The composition and responsibilities of each of these committees following this offering are described below. Directors who are members of these committees will serve until their resignation or until as otherwise determined by our board of directors.

Audit Committee

After the consummation of this offering, our audit committee will consist of John Kyees, Gary Lewis, and Bill Beargie, with Mr. Kyees serving as Chairperson. Our board of directors has determined that Messrs. Kyees and Lewis meet the definition of "independent director" under the listing standards of Nasdaq and SEC rules and regulations. Mr. Beargie is not considered an independent director under Rule 10A-3 of the Exchange Act in connection with his service on the audit committee due to his status as a trustee of the Founder Family Trusts. Under applicable Nasdaq rules, we are permitted to phase-in our compliance with the independence requirements for our audit committee. The phase-in periods with respect to director independence allow us to have only one independent member on our audit committee upon the listing date of our Class A common stock, a majority of independent members on our audit committee within 90 days of the listing date and a fully independent audit committee within one year of the listing date. We are taking advantage of these phase-in rules with respect to Mr. Beargie's service on our audit committee, and we expect that by the first anniversary of our listing on Nasdaq, our audit committee will comply with the applicable independence requirements.

Our board of directors also has determined that Mr. Kyees will qualify as an "audit committee financial expert" within the meaning of Item 407(d) of Regulation S-K. After the completion of this offering, our audit committee will be responsible for, among other matters:

- appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm;
- discussing with our independent registered public accounting firm its independence from management;
- discussing the scope and results of the audit with the independent registered public accounting firm;
- reviewing with management and the independent registered public accounting firm our interim and year-end operating results;
- overseeing the financial reporting process and discussing with management and the independent registered public accounting firm the interim and annual financial statements that we will file with the SEC;
- reviewing and monitoring our accounting policies and principles and internal controls; and
- establishing procedures for the confidential submission of concerns about questionable accounting, internal controls or auditing matters.

Compensation Committee

After the consummation of this offering, our compensation committee will consist of Al Adams, John Roth and Bill Beargie, with Mr. Adams serving as Chairperson. Our compensation committee will be responsible for, among other matters:

- reviewing and approving the compensation of our executive officers and directors;
- reviewing, approving and making recommendations to our board of directors about incentive compensation and equity compensation plans; and
- appointing and overseeing any compensation consultants.

Nominating and Corporate Governance Committee

After the consummation of this offering, our nominating and corporate governance committee will consist of Andrea Hyde, Rick Doody and John Roth, with Ms. Hyde serving as Chairperson. Our nominating and corporate governance committee will be responsible for, among other matters:

- identifying, evaluating and selecting, or making recommendations to our board of directors, about nominees for election to our board of directors and its committees;
- evaluating the performance of our board of directors and of individual directors;
- reviewing and making recommendations to our board of directors regarding director independence determinations;
- making recommendations to our board of directors about the composition of the board of directors and its committees; and
- developing and recommending to our board of directors corporate governance guidelines and principles.

Real Estate Committee

We have a real estate committee, which consists of Gary Lewis, Rick Doody and Brad Brutocao, with Mr. Lewis serving as Chairperson. Our management team works with the real estate committee to identify potential markets and attractive locations for new Showrooms.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee is or has been an officer or employee of our company, other than Mr. Beargie, who was our Chief Financial Officer from 1987 to 1999. None of our executive officers served as a member of the board of directors or compensation committee (or other board committee serving an equivalent function) of any entity that has one or more of its executive officers serving in our board of directors or compensation committee.

Code of Ethics and Code of Conduct

Prior to the consummation of this offering, we will adopt a written code of ethics and conduct that will apply to our directors, officers and employees. We intend to post on our website a copy of the code and all disclosures that are required under the Exchange Act or Nasdaq concerning any amendments to, or waivers from, any provision of the code.

EXECUTIVE COMPENSATION

Executive Compensation Summary

The following discussion provides an overview of the compensation awarded to or earned by our named executive officers identified in the Summary Compensation Table below during fiscal year 2020, including the elements of our compensation program for named executive officers, material compensation decisions made under that program for fiscal year 2020 and the material factors considered in making those decisions. Our named executive officers for fiscal year 2020, which consist of our principal executive officer and our two next most highly compensated executive officers who were serving as executive officers as of December 31, 2020, or collectively, the named executive officers, are:

- John Reed, who serves as President, Chief Executive Officer and Director and is our principal executive officer;
- Dawn Phillipson, who serves as Chief Financial Officer and is our principal financial officer; and
- Kathy Veltri, who serves as Chief Retail Officer.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion.

We have opted to comply with the executive compensation disclosure rules applicable to emerging growth companies, as we are an emerging growth company. The scaled down disclosure rules are those applicable to "smaller reporting companies," as such term is defined in the rules promulgated under the Securities Act, which require compensation disclosure for our named executive officers. Since the Company is a newly formed entity, we have provided the compensation awarded to, earned by or paid to the named executive officers of Arhaus, LLC for the years ended December 31, 2020. Each of the named executive officers currently hold the same position with the Company.

Details of Our Compensation Program

Compensation Philosophy, Objectives and Rewards

Our executive compensation program has been designed to motivate, reward, attract and retain high caliber management deemed essential to ensure our success. The program seeks to align executive compensation with our objectives, business strategy and financial performance. Our compensation objectives are designed to support these goals by delivering competitive salaries, rewarding leadership for delivering on our business strategy, and providing incentive vehicles to connect the executives to the whole company performance. Our compensation programs for our executives have historically been weighted towards rewarding both short- and long-term performance incentives through a mix of cash and incentive unit compensation, providing our executives with an opportunity to share in the appreciation of our business over time.

We expect and design our compensation philosophy to reflect the following general principles:

- support our long-term sustainable business growth through attracting and retaining the most innovative, effective and engaged leaders;
- apply consistent principles that support ethical leadership of Arhaus in the highly competitive retail landscape;

- consider the marketplace, Arhaus performance and individual contributions when making decisions; and
- create incentives that entice the executives to achieve Arhaus' goals to drive long-term sustainable value for all our stakeholders.

We have historically maintained an annual cash incentive program providing for payouts based on the achievement of Company performance objectives. We have also granted incentive units to our executives. These incentive programs were designed to reward achievement of our long-term business objectives while promoting executive retention and reinforcing executive interest in Arhaus and its performance.

We have utilized short- and long-term incentive compensation as a key component of our compensation philosophy and expect we will continue to do so following this offering. As Arhaus grows, we intend to continue our emphasis on "at-risk" compensation based on the achievement of objective performance objectives in order to drive superior executive achievement and appropriately align the financial interests of our executive officers to those of our stockholders. Historically, we felt that our variable cash incentive programs should emphasize contributions towards company financial performance, where performance that failed to meet established goals would not be rewarded. Accordingly, if applicable performance goals were not achieved, executives would not receive cash bonuses in respect of that fiscal year.

Following this offering, we expect that our compensation program will continue to emphasize performance-based cash incentive and equity-based compensation.

Determination of Compensation

In making executive compensation determinations for fiscal year 2020, our board of directors worked in conjunction with our Chief Executive Officer (other than with respect to his own compensation) to design and administer our executive compensation programs, including our cash incentive plan, in a manner that aligns with our overall compensation philosophy, as discussed above. During fiscal year 2020, our board of directors and our Chief Executive Officer (other than with respect to his own compensation), made compensation decisions with respect to our named executive officers, including setting the base cash compensation levels for the named executive officers and determining the amounts of incentive units granted to our named executive officers during fiscal year 2020.

We expect that our board of directors or the compensation committee of the board of directors, in consultation with our Chief Executive Officer (other than with respect to his own compensation), will administer the executive compensation program and make future compensation decisions with respect to our named executive officers following this offering.

Role of Compensation Consultant in Determining Executive Compensation

Historically, we have not engaged the services of an executive compensation advisor in reviewing and establishing our compensation programs and policies.

Following this offering, our board of directors expects to periodically utilize a third party executive compensation advisor for benchmarking and peer group analysis as part of determining and developing compensation packages for our named executive officers and directors.

Elements of Our Executive Compensation Program

Historically, and for fiscal year 2020, our executive compensation program consisted of the following elements, each established as part of our program in order to achieve the compensation objective specified below:

Compensation Element	Compensation Objectives Designed to be Achieved and Key Features
Base Salary	Attracts and retains key talent by providing base cash compensation at competitive levels
Cash-Based Incentive Compensation	Provides short-term incentives based on Company's annual performance
Incentive Unit Compensation	Provides long-term incentives to align the interests of our named executive officers and stockholders
Severance and Other Benefits Potentially Payable upon Termination of Employment or Change in Control	Creates clarity around termination or change of control events and provides for retention of executives
Health and Welfare Benefits	Offers market-competitive benefits

Base Salaries

The base salaries of our named executive officers are an important part of their total compensation package, and are intended to reflect their respective positions, duties and responsibilities. Base salary is a visible and stable fixed component of our compensation program. Base salaries for our named executive officers were initially established through a variety of factors, including evaluations of the talent market for that role and discussion and approval of the board of directors in consultation with our Chief Executive Officer and/or Chief Financial Officer at the time the executive was hired. We intend to continue to evaluate the mix of base salary, short-term incentive compensation and long-term incentive compensation to appropriately align the interests of our named executive officers with those of our stockholders.

The following table sets forth the base salaries of our named executive officers for fiscal year 2020:

	Fiscal Year 2020 Base Salary	
Named Executive Officer	1/1/2020-8/2/2020	8/3/2020-12/31/2020 (1)
John Reed	$ 1,200,000	$ 1,260,000
Dawn Phillipson	$ 360,400	$ 371,212
Kathy Veltri	$ 370,000	$ 392,533

(1) Each named executive officer received merit increases to his or her base salary effective August 3, 2020.

Cash-Based Incentive Compensation

We consider annual cash incentive bonuses to be an important component of our total compensation program and provides incentives necessary to retain our named executive officers.

Short-Term Incentive Plan

For fiscal year 2020, Arhaus maintained a cash-based short-term incentive compensation program, or the STI Plan, in which certain team members, including our named executive officers, participate. Awards under the STI Plan were based on the achievement of the following Adjusted Income from Operations targets:

Adjusted Income from Operations Goal	Operating Income (in millions)
Threshold	$ 35.0
Target	$ 45.0

Each named executive officer is eligible to receive an annual performance-based cash bonus based on a specified target annual bonus award amount, expressed as a percentage of the named executive officer's base salary. Payments were determined based on linear interpolation between threshold and target performance levels, as follows:

Financial Goal Achievement	Percentage of Target Bonus Earned
Below $35.0 million	0%
$35.0 million - $45.0 million	10% -99.9%
Above $45.0 million	100%

For purposes of the STI Plan, Adjusted Income from Operations is defined as Income from Operations adjusted for one-time expense, STI Plan expense, equity compensation, 401(k) expense, Severance and recruiting expense, and other expenses primarily related to board member compensation and life insurance premiums. Adjusted Income from Operations is a non-GAAP measure, defined as set forth in "Prospectus Summary—Summary Consolidated Financial and Operating Data" included elsewhere in this prospectus.

In fiscal year 2020, our named executive officers participated in our annual cash incentive bonus program at the following target percentages of base salary:

Named Executive Officer	Target Percentage
John Reed	60%
Dawn Phillipson	60%
Kathy Veltri	50%

For fiscal year 2020, our board of directors determined Adjusted Income from Operations to be in excess of $45.0 million. As a result, each named executive officer received the full payout under the STI Plan of his or her respective target bonus for fiscal year 2020.

The actual annual cash bonuses awarded to each named executive officer for fiscal year 2020 performance are set forth below in the Summary Compensation Table in the column entitled "Non-Equity Incentive Plan Compensation."

Fiscal Year 2020 Special Bonuses

The board of directors also determined the award of special incentive bonuses to certain identified team members, including our named executive officers, in recognition of extraordinary efforts required from such team members to deliver value for the Company in fiscal year 2020. Each named executive officer received a special bonus equal to 50% of such executive's STI Plan target bonus opportunity.

The amount of special bonuses awarded to each named executive officer for fiscal year 2020 performance are set forth below in the Summary Compensation Table in the column entitled "Bonus."

CFO Retention Bonus

On May 11, 2021, we entered into an agreement with Ms. Phillipson, pursuant to which she will receive a cash bonus of $1 million if she remains employed by the Company as of October 29, 2021, and either (a) a change of control transaction or (b) a qualified initial public offering has been successfully completed and consummated by such date. The terms of this bonus is described in more detail under "Summary of Executive Compensation Arrangements—Named Executive Officer Employment Agreements—Dawn Phillipson."

Incentive Unit Compensation

We view incentive unit compensation as an important component of our total compensation program. Incentive units are "profits interests" that give the grantee the right to participate in future profits and appreciation in the value of Arhaus, LLC. The grant of incentive units creates a long-term investment rewarding time and effort among our executives and provide an incentive to contribute to the continued growth and development of our business and aligns the interests of executives with those of our stockholders.

Incentive unit grants have been made to key employees at the discretion of the Board and there is no formal policy for determining the timing or size of such awards.

Outstanding Incentive Unit Awards

Each of our named executive officers holds outstanding incentive unit awards described below as of the date of the prospectus. As described under "The Reorganization," in connection with the offering, vested incentive units will be exchanged for shares of Class A common stock and unvested incentive units will be exchanged for restricted shares of Class A common stock with similar vesting provisions as the incentive units.

Mr. Reed beneficially holds (i) 789,625 and 789,625 Class F and F-1 units respectively, which were granted to him on June 26, 2017, of which 80% are vested; (ii) 1,077,184 Class C units, which were granted to him on October 1, 2016, of which 80% are vested; and (iii) 112,324 Class C units, which were granted to him on October 4, 2016, of which all are vested. Of his total 1,189,508 Class C units, which are held by Homeworks, 974,072 are vested.

Ms. Phillipson holds: (i) 91,597 and 91,597 Class F and F-1 units respectively, which were granted to her on January 31, 2018, and which are 60% vested; (ii) 28,427 and 28,427 Class F and Class F-1 units respectively, which were granted to her on March 26, 2019, of which are 40% vested, and (iii) 125,000 Class G units, which were granted to her on May 19, 2021, none of which are vested.

Ms. Veltri holds 183,193 and 183,193 Class F and F-1 units respectively, which were granted to her on January 31, 2018, of which 60% are vested.

Each grant of incentive units held by our named executive officers vest in annual installments over a period of three or five years. Units that vest over a three year period vest 50% on the first anniversary and 25% over the remaining anniversaries of the date of grant, subject to the executive's continued service through the applicable vesting dates. Units that vest over a five year period vest 20% on each of the following five anniversaries of the date of grant, subject to the executive's continued service through the applicable vesting dates. Notwithstanding the foregoing, in the event of a change in control (as defined in the operating agreement), the incentive units will fully accelerate and vest, subject to the executive's continued service through the date of such change in control. The consummation of this offering is not a change of control under the operating agreement.

There were no incentive units granted to our named executive officers in fiscal year 2020.

As part of the Reorganization, the named executive officers will exchange the Class F vested incentive units they hold for shares of Class A common stock and Class F unvested incentive units will be exchanged for restricted shares of Class A common stock. The number of shares of Class A common stock and the number of restricted shares of Class A common stock received upon such exchange will be determined based on the value that such holder would have received under the distribution provisions of the operating agreement of Arhaus, LLC with shares of Class A common stock valued by reference to the initial public offering price of shares of the Class A common stock in this offering. As of the date of this prospectus, Mr. Reed held 974,072 Class C vested incentive units and 215,436 Class C unvested incentive units, 631,700 Class F vested incentive units and 157,925 Class F unvested incentive units; Ms. Phillipson held 66,329 Class F vested incentive units, 53,695 Class F unvested incentive units and 125,000 Class G unvested incentive units and Ms. Veltri held 109,916 Class F vested incentive units, 73,277 Class F unvested incentive units. Assuming that the shares of Class A common stock are offered at $ per share (the midpoint of the price range listed on the cover page of this prospectus), the named executive officers will receive the following shares of Class A common stock and restricted shares of Class A common stock:

Named Executive Officer	Shares of Class A Common Stock	Restricted Shares of Class A Common Stock
John Reed		
Dawn Philipson		
Kathy Veltri		

2021 Equity Incentive Plan

The board intends to adopt the 2021 Equity Incentive Plan, referred to below as the 2021 Plan, in order to facilitate the grant of cash and equity incentives to directors, team members (including our named executive officers) and consultants of the Company and certain of its affiliates and to enable the Company and certain of its affiliates to obtain and retain services of these individuals, which is essential to our long-term success. For additional information on the 2021 Plan, see “Equity Awards” below.

Perquisites and Other Benefits

We provide select perquisites to aid in the performance of the named executive officer’s respective duties and to provide competitive compensation with executives with similar positions and levels of responsibilities. For fiscal year 2020, Mr. Reed received life insurance premium payment, Ms. Phillipson received a monthly cell phone allowance and Ms. Veltri received a monthly car allowance.

Health and Welfare Benefits

Health/Welfare Plans. All of our full-time team members, including our named executive officers, are eligible to participate in our health and welfare plans, including:

- medical, dental and vision benefits;
- medical and dependent care flexible spending accounts
- health savings account;
- short-term and long-term disability insurance; and
- basic, supplemental, spousal, and dependent life insurance.

We believe the benefits described above are necessary and appropriate to provide a competitive compensation package to our named executive officers.

Deferred Compensation and Other Retirement Benefits

401(k) Plan

We currently maintain a 401(k) retirement savings plan for our team members, including our named executive officers, who satisfy certain eligibility requirements. Our named executive officers are eligible to participate in the 401(k) plan on the terms as defined by the IRS. They are eligible to contribute on a pre-tax basis through contributions to the 401(k) plan, subject to applicable annual Code limits. All participants' interests in their deferrals are 100% vested when contributed. The 401(k) plan permits us to make matching contributions to eligible participants. We match contributions made by participants in the 401(k) plan up to 4% of the employee contributions if they contribute 4%. Company matching contributions vest immediately. We believe that providing a vehicle for tax-deferred retirement savings though our 401(k) plan adds to the overall desirability of our executive compensation package and further incentivizes our team members, including our named executive officers, in accordance with our compensation policies.

Severance and Other Benefits Payable Upon Termination of Employment or Change in Control

Our named executive officers except Mr. Reed are party to severance agreements with us, pursuant to which they are entitled to receive certain benefits upon qualifying terminations. See "—Potential Payments Upon Termination" for additional information regarding these benefits.

Tax and Accounting Considerations

Revenue Code

Section 280G of the Code disallows a tax deduction with respect to excess parachute payments to certain executives of companies that undergo a change in control. In addition, Section 4999 of the Code imposes a 20% penalty on the individual receiving the excess payment.

Parachute payments are compensation that is linked to or triggered by a change in control and may include, but are not limited to, bonus payments, severance payments, certain fringe benefits, and payments and acceleration of vesting from long-term incentive plans including stock options and other equity-based compensation. Excess parachute payments are parachute payments that exceed a threshold determined under Section 280G of the Code based on the executive's prior compensation. In approving the compensation arrangements for our named executive officers in the future, the board of directors will consider all elements of the cost to the Company of providing such compensation, including the potential impact of Section 280G of the Code. However, the board of directors may, in its judgment, authorize compensation arrangements that could give rise to loss of deductibility under Section 280G of the Code and the imposition of excise taxes under Section 4999 of the Code when it believes that such arrangements are appropriate to attract and retain executive talent.

Section 162(m) of the Internal Revenue Code

Section 162(m) of the Code generally limits, for U.S. corporate income tax purposes, the annual tax deductibility of compensation paid to certain current and former executive officers to $1 million, subject to a transition rule for written binding contracts in effect on November 2, 2017, and not materially modified after that date. Prior to the enactment of the Tax Act, Section 162(m) included an exception for compensation deemed "performance-based." Pursuant to the Tax Act, the exception for "performance-based" compensation has been repealed, effective for tax years beginning after December 31, 2017 and, therefore, compensation previously

intended to be "performance-based" may not be deductible unless it qualifies for the transition rule. Due to uncertainties in the applications of Section 162(m) and the Tax Act, there is no guarantee that compensation intended to satisfy the requirements for deduction will not be challenged or disallowed by the IRS. Furthermore, although the Company believes that tax deductibility of executive compensation is an important consideration, the board of directors in its judgement may, nevertheless, authorize compensation payments that are not fully tax deductible, and/or modify compensation programs and practices without regard for tax deductibility when it believes that such compensation is appropriate.

2020 Summary Compensation Table for Fiscal Year Ended December 31, 2020

The following table sets forth information concerning the compensation of our named executive officers for the year ended December 31, 2020.

Name and Principal Position	Year	Salary (1)	Bonus (2)	Non-Equity Incentive Plan Compensation (3)	All Other Compensation (4)	Total
		$	$	$	$	$
John Reed ***President and Chief Executive Officer***	2020	1,260,000	304,615	609,231	125,718	2,299,564
Dawn Phillipson ***Chief Financial Officer***	2020	371,212	106,872	213,745	8,065	699,894
Kathy Veltri ***Chief Retail Officer***	2020	392,533	94,176	188,351	12,288	687,348

(1) Amounts for each named executive officer reflect the increases to the executive's base salary made effective August 3, 2020.

(2) Amounts reflect the special bonuses paid to each named executive officer in recognition of their extraordinary contributions to Arhaus during fiscal year 2020. For additional information on these bonuses, see "Executive Compensation—Cash-Based Incentive Compensation—Fiscal Year 2020 Special Bonuses."

(3) Amounts reflect the performance bonus amounts payable to each named executive officer with respect to fiscal year 2020 under the STI Plan.

(4) Amounts reflect: for Mr. Reed, (i) life insurance premiums equal to $102,565 paid by the Company on Mr. Reed's behalf, (ii) a discount on merchandise in an amount above the employee discount in the amount of $11,753, and (iii) a $11,400 401(k) matching contribution made by the Company to the account of Mr. Reed; for Ms. Phillipson, (i) a $5,211 401(k) matching contribution made by the Company to the account of Ms. Phillipson, (ii) a discount on merchandise in an amount above the employee discount in the amount of $2,374, and (iii) a $40 monthly cell phone allowance and; for Ms. Veltri, a $1,024 monthly car allowance.

Grants of Plan-Based Awards in Fiscal Year 2020

The following table provides supplemental information relating to grants of plan-based cash incentive awards made during fiscal year 2020 to help explain information provided above in our Summary Compensation Table. This table presents information regarding all grants of plan-based cash incentive awards occurring during fiscal year 2020.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards		
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)
John Reed	N/A (1)	101,538	609,231	609,231
Dawn Phillipson	N/A (1)	35,624	213,745	213,745
Kathy Veltri	N/A (1)	37,670	188,351	188,351

(1) Each of the named executive officers was granted a cash incentive award by Arhaus under the STI Plan for fiscal year 2020 based on the achievement of specified Adjusted Income from Operations performance goals. For additional discussion of these Payments, see "—Cash-Based Incentive Compensation—Short-Term Incentive Plan."

For further discussion of the equity awards, see "Incentive Unit Compensation—Outstanding Incentive Unit Awards."

Summary of Executive Compensation Arrangements

Named Executive Officer Employment Agreements

John Reed

We do not have an employment agreement with Mr. Reed.

Dawn Phillipson

On February 8, 2019, we entered into an agreement with Ms. Phillipson, or the CFO Agreement, providing for her at-will employment with us and for severance payments and benefits upon certain qualifying terminations of Ms. Phillipson's employment.

Pursuant to the CFO Agreement, if Ms. Phillipson's employment is terminated by us without Cause, or by Ms. Phillipson with Good Reason, then, subject to her timely signing and non-revocation of a release of claims, she will be entitled to: (i) a lump sum payment equal to six (6) months of base salary; and (ii) a lump sum amount equal to six (6) months of COBRA.

For purposes of the CFO Agreement, "Cause" means (i) an intentional act of fraud, embezzlement, theft or any other material violation of law that occurs during or in the course of Ms. Phillipson's employment with the Company; (ii) intentional engagement in any competitive activity which would constitute a breach of her duty of loyalty to the Company; or (iii) the willful and continued failure to substantially perform her duties for the Company (other than as a result of incapacity due to physical or mental illness). For purposes of this paragraph, an act, or failure to act, shall not be deemed willful or intentional, as those terms are used herein, unless it is done, or omitted to be done, by Ms. Phillipson in bad faith or without a reasonable belief that her action or omission was in the best interest of the Company. Failure to meet performance standards or objectives, by itself, does not constitute "Cause". "Good Reason" means the occurrence of one or more of the following events arising without her express written consent, but only if Ms. Phillipson's resignation follows notification to the Company

in writing within thirty (30) days following the Company's awareness of the occurrence of the event and the event remains uncured for at least fifteen (15) days after such notice: (i) a reduction in her base salary and/or Target Bonus potential; (ii) a diminution in her employee benefits from those provided to other executives at a similar level, as such benefits may be modified from time to time; (iii) a material diminution in her authority, duties or responsibilities; or (iv) the Company requires her to be based anywhere other than within fifty (50) miles of Boston Heights, Ohio.

The LLC operating agreement contains a twenty-four (24)-month post-termination non-competition covenant, as well as perpetual confidentiality and non-disparagement covenants.

On May 11, 2021, we also entered into a Retention and Success Bonus Agreement with Ms. Phillipson, or the CFO Retention Bonus Agreement, providing for additional cash compensation upon the successful completion and consummation of a Change of Control Transaction or a Qualified Initial Public Offering, or a Qualified IPO (as those terms are defined in the Existing LLC Agreement). Pursuant to the CFO Retention Bonus Agreement, Ms. Phillipson will be entitled to receive a cash bonus payment equal to one million dollars ($1,000,000) net, after any applicable deductions or withholding taxes, or the CFO Retention Bonus, subject to the closing of a Change of Control Transaction or a Qualified IPO on or before October 29, 2021, and her continued employment through such date. Subject to these terms, the CFO Retention Bonus shall be paid to Ms. Phillipson on October 30, 2021, and will be payable in connection with the closing of this offering.

Kathy Veltri

On March 4, 2019, we entered into an agreement with Ms. Veltri, or the CRO Agreement, providing for her at will employment with us and for severance payments and benefits upon certain qualifying terminations of Ms. Veltri's employment.

Pursuant to the CRO Agreement, if Ms. Veltri's employment is terminated by us without Cause, or by Ms. Veltri with Good Reason, then, subject to her timely signing and non-revocation of a release of claims, she will be entitled to: (i) a lump sum payment equal to six (6) months of base salary; and (ii) a lump sum amount equal to six (6) months of COBRA.

For purposes of the CRO Agreement, "Cause" and "Good Reason" have the same meaning as in the CFO Agreement.

The LLC operating agreement contains a twenty-four (24)-month post-termination non-competition covenant, as well as perpetual confidentiality and non-disparagement covenants.

Outstanding Equity Awards at Fiscal Year End

Name	Number of Units That Have Vested	Market Value of Units That Have Vested	Number of Units That Have Not Vested (1)	Market Value of Units That Have Not Vested (1)
	#	$	#	$
John Reed				
Class F and F-1 Units (2)	947,550		631,700	
Class C Units	974,072		215,436	
Dawn Phillipson				
Class F and F-1 Units (2)	84,648		155,398	
Kathy Veltri				
Class F and F-1 Units (2)	146,554		219,832	

(1) Each of the incentive unit grants vest in annual installments over a period of five years, with 20% of the shares vesting on the anniversary of the vesting commencement date, subject to the executive's continued service through the applicable vesting dates. In the event of a change in control (as defined in the LLC operating agreement), the incentive units will fully accelerate and vest, subject to the executive's continued service through the date of such change in control.

(2) For each Class F Unit, a corresponding Class F-1 Unit is authorized, issued and outstanding, and Class F and Class F-1 Units are aggregated in this table.

Potential Payments Upon Termination

In this section, we describe payments that may be made to our named executive officers upon several events of termination, assuming the termination event occurred on the last day of fiscal year 2020 (except as otherwise noted).

Pursuant to the employment agreements with each of Ms. Phillipson and Ms. Veltri, if the named executive officer's employment is terminated by us without Cause, then, subject to her timely signing and non-revocation of a release of claims, she will be entitled to: (i) a lump sum payment equal to six (6) months of base salary; and (ii) a lump sum amount equal to six (6) months of COBRA.

LLC Operating Agreement

The terms of the LLC operating agreement governing the incentive units provide for full acceleration of each of the named executive officer's incentive units in the event of a change in control.

Summary of Potential Payments Upon Termination or Change in Control

The following table summarizes the payments that would be made to our named executive officers upon the occurrence of certain qualifying terminations of employment or change in control, in any case, occurring on December 31, 2020 (the last business day of our most recently completed fiscal year):

Name	Benefit	Termination Without Cause ($)	Change in Control (no Termination) ($) (1)
John Reed	Cash	—	—
	Incentive Unit Acceleration	—	35,410,740 (2)
	All Other Payments or Benefits	—	—
Dawn Phillipson	Cash	190,606 (3)	—
	Incentive Unit Acceleration	—	2,742,695 (2)
	All Other Payments or Benefits	—	—
Kathy Veltri	Cash	201,266 (3)	—
	Incentive Unit Acceleration	—	4,186,219 (2)
	All Other Payments or Benefits	—	—

(1) Amounts reflected in the "Change in Control (no Termination)" column were calculated assuming that no qualifying termination occurred after the change in control. The values of any additional benefits to the named executive officers that would arise only if a termination were to occur in connection with a change in control are disclosed in the footnotes to the "Termination Without Cause or for Good Reason in Connection with a Change in Control."

(2) Amounts reflect the value of vested and unvested incentive unit awards on December 31, 2020 that would be subject to vesting. As there was no public market for the units of Arhaus, LLC prior to this offering, the amount reported was based on the fair market value of a unit as of December 31, 2020, as determined with reference to a third-party valuation.

(3) Amounts reflect six (6) months of the executive's base salary at termination and a $5,000 COBRA stipend.

Compensation of our Directors

For fiscal year 2020, directors of the Company were not eligible to receive compensation for their services as directors.

Non-Employee Director Compensation Policy

In connection with this offering, we expect to adopt a compensation program for our non-employee directors that consists of annual retainer fees and equity awards.

Pursuant to this non-employee director compensation policy, each non-employee director, other than Messrs. Brutocao and Roth, will receive an annual retainer of $75,000. In addition, non-employee directors serving as the chairperson of our audit committee will receive an additional annual retainer of $20,000 and the chairperson of each of our compensation committee and our nominating and corporate governance committee will receive an additional annual retainer of $15,000, in each case earned on a quarterly basis. Each director, other than Messrs. Brutocao and Roth, will also receive an annual restricted stock unit award with a grant date value of $110,000 (with prorated awards made to directors who join on a date other than an annual meeting following the first annual meeting after the closing of this offering), which will generally vest in full on the day immediately prior to the date of our annual shareholder meeting immediately following the date of grant, subject to the non-employee director continuing in service through such meeting date. The vesting of this award will accelerate and it will vest in full upon a change in control (as defined in the 2021 Equity Plan).

Equity Awards

Incentive Units

Prior to this offering, equity compensation was granted in the form of restricted units of Arhaus, LLC, or the incentive units. In connection with the Reorganization, fully vested incentive units will be exchanged for a number of Class A shares as described above in "Incentive Unit Compensation." Unvested incentive units will be exchanged for Restricted Stock that will have restrictions substantially similar to those of the original award. As of , 2021, after giving effect to the Reorganization, and assuming an initial public offering price of $ we had outstanding shares of Restricted Stock.

2021 Equity Incentive Plan

In connection with this offering, our Board adopted, and our stockholders approved, the 2021 Equity Incentive Plan, or the 2021 Equity Plan, which provides for the grant of stock options (either incentive or non-qualified), stock appreciation rights, or SARs, restricted stock, restricted stock units, or RSUs, performance shares, performance share units and other stock-based awards with respect to our Class A common stock. The purpose of the 2021 Equity Plan is to promote the interests of the Company and its stockholders by:

- providing us with a means to attract and retain employees, officers, consultants, advisors and directors who will contribute to our long-term growth and success; and
- providing such individuals with incentives that will align with those of our stockholders.

Eligibility

Employees, directors and certain consultants of the Company or of our affiliates are eligible to receive awards under the 2021 Equity Plan. Eligibility for options intended to be incentive stock options, or ISOs, is limited to our employees or those of our affiliates. In certain circumstances, we may also grant substitute awards to holders of equity-based awards of a company that we acquire or combine with.

Administration

The 2021 Equity Plan will be administered by the compensation committee, or such other committee as may be designated by the Board, or by the full Board (the term "committee" will refer generally to the body with such authority for purposes of this description of the 2021 Equity Plan terms). Grants made to persons subject to Section 16 of the Exchange Act will require the approval of a committee consisting of two or more members who are "non-employee directors" (as defined under Section 16) or the full Board.

The committee has the authority to, among other things, determine the employees, directors and consultants to whom awards may be granted, determine the number of shares subject to each award, determine the type and the terms and conditions of any award to be granted (including, but not limited to, the exercise price, the time or times at which the awards may be exercised, any vesting acceleration or waiver of forfeiture restrictions and any restriction or limitation regarding any award or the shares relating thereto), approve forms of award agreements, interpret the terms of the 2021 Equity Plan and awards granted thereunder and adopt rules and regulations relating to the 2021 Equity Plan, including with respect to clawback policies and procedures.

However, other than in connection with certain corporate events, the committee cannot take any of the following actions without the approval of our stockholders: (i) lower the exercise or grant price per share of an outstanding option or SAR, (ii) cancel an option or SAR in exchange for cash or another award (other than in connection with a change in control) when the exercise or grant price per share of the option or SAR exceeds the fair market value of one share of Class A common stock, or (iii) take any other action with respect to an option that would be treated as a repricing under the applicable stock exchange rules.

Term

Unless terminated earlier by the Board, the 2021 Equity Plan will terminate on the earlier of (i) the date all shares subject to the 2021 Equity Plan have been purchased or acquired according to the its provisions and (ii) the tenth anniversary of its effective date. Upon termination of the 2021 Equity Plan, all outstanding awards will continue in effect in accordance with the provisions of the terminated 2021 Equity Plan and the applicable award agreement (or other documents evidencing such awards).

Shares Available for Issuance under the 2021 Equity Plan

A total of shares of Class A common stock have been authorized and reserved for issuance under the 2021 Equity Plan. Any shares reserved and available for issuance under the 2021 Equity Plan may be used for any type of award under the 2021 Equity Plan, including ISOs.

Shares underlying awards that are expired, forfeited, or otherwise terminated without the delivery of shares, or are settled in cash, and any shares tendered to or withheld by us for the payment of an exercise price or for tax withholding will again be available for issuance under the 2021 Equity Plan.

In connection with a subdivision or consolidation of the Class A common stock or other capital adjustment or other material change in our capital structure, the number and kind of shares that may be issued under the 2021 Equity Plan, the individual award limits and the number and kind of shares that are subject to outstanding awards, and other terms and conditions thereof, will be equitably adjusted.

We may also assume awards previously granted under a compensatory plan of an acquired business and grant substitutes for such awards under the 2021 Equity Plan. The number of shares reserved for issuance under the 2021 Equity Plan will not be decreased by the number of shares subject to any such assumed awards and substitute awards. In addition, shares available for issuance under a compensatory plan of an acquired business (as appropriately adjusted, if necessary) may be used for awards under the 2021 Equity Plan, subject to applicable stockholder approval and stock exchange requirements.

Annual Individual Limits

The maximum number of shares of Class A common stock that may be granted pursuant to any type of award in any one fiscal year under the 2021 Equity Plan to any person, other than a director that is not an employee, is . The maximum aggregate number of shares subject to awards granted during a single fiscal year to any director who is not an employee, taken together with any cash fees paid to such director during the fiscal year, may not exceed $ in total value (based on grant date fair value).

Minimum Vesting Provisions

Awards granted under the Plan (other than cash-based awards) may not vest earlier than the first anniversary of the date on which the Award is granted; provided, that the following Awards shall not be subject to the foregoing minimum vesting requirement: any (i) substitute Awards for awards assumed in connection with acquisitions, (ii) shares delivered in lieu of fully vested cash obligations, (iii) Awards to Non-Employee Directors that vest on earlier of the one-year anniversary of the date of grant and the next annual meeting of stockholders which is at least fifty (50) weeks after the immediately preceding year's annual meeting, and (iv) any additional Awards the Committee may grant, up to a maximum of five percent (5%) of the available share reserve, subject to adjustment as provided in the plan. The minimum vesting provisions does not apply to the Committee's discretion to provide for accelerated exercisability or vesting of any Award, including in case of retirement, death, disability or a change in control.

Types of Awards

The 2021 Equity Plan permits the grant of the following types of awards:

Stock Options. Stock options may be either nonqualified stock options or ISOs. The holder of an option will be entitled to purchase a number of shares of Class A common stock on the terms and conditions determined by the committee, including the vesting terms, exercise price and manner and timeframe in which it may be exercised. Except in the case of substitute awards, the exercise price will be at least the fair market value of one share of Class A common stock on the grant date (or 110% of the fair market value if the option an ISO granted to a 10% or greater stockholder). Options will terminate on the tenth anniversary of the grant date, unless the committee establishes an earlier termination date or other circumstances cause earlier termination.

Stock Appreciation Rights (SARs). The holder of a SAR will be entitled to receive, upon exercise of the SAR, an amount equal to the excess of (i) the fair market value of one share of Class A common stock on the date the SAR is exercised, over (ii) the grant price of the SAR. The committee will determine the terms and conditions of the SAR, including the vesting terms, grant price and manner and timeframe in which it may be exercised. Except in the case of substitute awards, the grant price will be no less than the fair market value of one share of Class A common stock on the grant date. The committee will also determine whether the payment received upon exercise of a SAR will be in cash, shares of Class A common stock of equivalent value or a combination thereof. SARs will terminate on the tenth anniversary of the grant date, unless the committee establishes an earlier termination date or other circumstances cause earlier termination.

Restricted Stock and Restricted Stock Units (RSUs). A restricted stock award is an award of Class A common stock subject to vesting restrictions. An RSU is a right to receive cash, shares of Class A common stock

or a combination thereof based on the value of a share of Class A common stock. The committee will determine the conditions and/or restrictions, vesting and delivery schedule and other terms of restricted stock and RSUs, including time-based restrictions and/or restrictions based upon the achievement of specific performance goals and the time and manner of payment of amounts earned. Unless provided otherwise by the committee, restricted stock and RSUs are forfeited to the extent that a recipient fails to satisfy the applicable conditions during the restricted period.

Performance Units and Performance Share Units. Performance units and performance share units are awards that will result in a payment to the holder of such award only if, and depending on the extent to which, performance goals or other conditions established by the committee are achieved or the awards otherwise vest. The committee may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals or any other basis determined by the committee in its discretion. Performance units and performance share units may be denominated as a cash amount, a number of shares of Class A common stock, a number of units referencing a cash amount, a number of units referencing a number of shares of Class A common stock or other property, or a combination thereof.

Other Awards. The committee may grant other awards that are denominated in cash or shares of Class A common stock or valued in whole or in part by reference to, or are otherwise based upon, shares of Class A common stock, either alone or in addition to other awards granted under the 2021 Equity Plan, and may be granted for past service, in lieu of a bonus, as directors' compensation or otherwise. Other awards may be settled in Class A common stock, cash or any other form of property, and have such other terms and conditions as determined by the committee, including whether such other awards are subject to any vesting or require the payment or purchase price.

Non-Transferability of Awards

Unless the committee provides otherwise, our 2021 Equity Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime.

Repayment of Awards and Forfeiture

The committee may seek repayment or recovery of an award, including any shares subject to or issued under an award or the value received pursuant to an award, as appropriate, pursuant to any recovery, recoupment, clawback and/or other forfeiture policy maintained by us from time to time or any applicable law or regulation or the standards of any stock exchange on which the shares are then listed.

The committee may also provide that the holder's rights under an award are subject to reduction, cancellation, forfeiture or recoupment upon (i) breach of non-competition, non-solicitation, confidentiality or other restrictive covenants that are applicable to the holder, (ii) a termination of the holder's employment for cause, or (iii) other conduct by the holder that is detrimental to the business or reputation of the Company and/or of our affiliates.

Change in Control

The 2021 Equity Plan provides that in the event of a merger or change in control, as defined under the 2021 Equity Plan, each outstanding award will be treated as the committee determines, either in the award agreement or in connection with the change in control.

The committee may cause an award to be canceled in exchange for a cash or other payment to the holder or cause an award to be assumed by a successor corporation. In the latter case, if the successor corporation does not agree to assume the award, substitute an equivalent award or make a cash payout of the award, then the award will become fully vested prior to the change in control and thereafter terminate, unless specifically provided for otherwise under the applicable award agreement or other written agreement with the holder of such award.

Amendments and Termination

The Board may amend, suspend, or terminate the 2021 Equity Plan at any time, subject to the prior approval of our stockholders to the extent required by applicable law or stock exchange requirement or, in any event, if the action would increase the number of shares available for awards under the 2021 Equity Plan. In addition, no termination, amendment or modification of the 2021 Equity Plan may be made that adversely affects in a material way any award previously granted under the 2021 Equity Plan, without the prior written consent of the award holder.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Other than compensation arrangements for our directors and executive officers, discussed in the sections titled “Management” and “Executive Compensation”, the following is a description of each transaction since January 1, 2018 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, executive officers, or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

Lease Agreements

We lease our headquarters and primary distribution center in Boston Heights, Ohio from Premier Arhaus, LLC, a company of which our Founder indirectly owns 50%. The initial term of the lease expires in March 2033. We have the option to extend the lease for an additional ten-year term at fixed rental payments and two additional five-year terms thereafter at fair market rental payments upon the same terms and conditions as the initial term. As of December 30, 2020, the minimum monthly base rent is $372,938. Lease payments under the lease agreement totaled $4,003,255 and $4,527,669 for the years ended December 31, 2020 and 2019, respectively.

We will lease our second distribution center in Conover, North Carolina from Premier Conover, LLC, a company of which our Founder is expected to be part owner. The initial term of the lease is 12 years, commencing upon the completion of the distribution center. We have the option to extend the lease for an additional ten-year term at fixed rental payments and two additional five-year terms thereafter at fair market rental payments upon the same terms and conditions as the initial term. During the first year of the lease, the minimum monthly base rent will be $247,917.

We lease a warehouse located in Walton Hills, Ohio from Pagoda Partners, LLC, a company of which our Founder indirectly owns 50%. The term of the lease expires in April 2024. Subject to the landlord’s written approval and acceptance, we have the option to extend the lease for additional one-year terms. We also have the option to purchase the Northfield Facility at a purchase price of fair market value but not less than the minimum price for which Pagoda Partners, LLC acquired the property. As of December 31, 2020, the monthly rent is $113,242.32.

We lease our Outlet in Brooklyn, Ohio from Brooklyn Arhaus, a company of which our Founder and Mr. Beargie, a director of Arhaus, LLC and a director nominee, own 85% and 15%, respectively. As of December 31, 2020, the monthly base rent is $19,995 plus applicable common area maintenance expenses and real estate taxes. Lease payments under the lease agreement totaled $293,809 and $349,120 for the years ended December 31, 2020 and 2019, respectively.

The Reorganization

In connection with the Reorganization and this offering, we will engage in certain transactions with certain of our directors, executive officers and other persons and entities that will become holders of 5% or more of our voting securities upon completion of this offering. These transactions are described in “The Reorganization.”

Arhaus, LLC Limited Liability Company Agreement

Arhaus, LLC and its members, including our officers and entities that will become holders of 5% or more of our voting securities upon completion of this offering, are parties to the Third Amended and Restated Limited Liability Company Agreement of Arhaus, LLC, dated as of June 26, 2017, as amended by Amendment, dated March 14, 2020, and Second Amendment, dated May 18, 2021, which governs the business operations of Arhaus, LLC and defines the relative rights and privileges associated with the units of Arhaus, LLC. We refer to this agreement as the Existing LLC Agreement. Under the Existing LLC Agreement, the board of directors of Arhaus, LLC has the power to conduct, direct and exercise full control over all activities of Arhaus, LLC. The rights of each existing member under the Existing LLC Agreement will continue until the effective time of the Fourth Amended and Restated Limited Liability Company Agreement of Arhaus, LLC to be entered into in connection with the Reorganization, at which time a wholly owned, indirect subsidiary of the company will constitute the sole member of Arhaus, LLC.

Registration Rights Agreement

In connection with this offering, we intend to enter into a registration rights agreement with the former holders of Arhaus Holding and the former holders of Homeworks. This agreement will provide the stockholders party thereto certain registration rights as described below.

Demand Registration Rights

At any time beginning six months after the completion of this offering, the former holders of Arhaus Holding and the former holders of Homeworks will have the right to demand that we file registration statements. These registration rights are subject to certain conditions and limitations, including the right of the underwriters, if any, to limit the number of shares included in any such registration under certain circumstances.

Piggyback Registration Rights

At any time after the completion of this offering, if we propose to register any shares of our Class A common stock or other equity securities under the Securities Act for our own account or for the account of any other person, then all stockholders party to the registration rights agreement will be entitled to notice of such proposed registration and will have the opportunity to include their shares of Class A common stock in the registration statement, subject to certain conditions and limitations, including the right of the underwriters, if any, to limit the number of shares in any such registration.

Shelf Registration Rights

At any time after we have qualified for the use of a Form S-3 registration statement, the former holders of Arhaus Holding and the former holders of Homeworks will be entitled to have their shares of Class A common stock, including shares issuable upon conversion of Class B common stock, registered by us on a Form S-3 registration statement, subject to certain conditions and limitations, at our expense.

Expenses and Indemnification

We will pay all expenses relating to any demand, piggyback or shelf registration, other than underwriting fees, discounts or commissions, subject to specified limitations. The registration rights agreement also will require that we indemnify the stockholders party to the agreement against certain liabilities that may arise under the Securities Act.

Investor Rights Agreement

In connection with this offering, we intend to enter into an investor rights agreement with the Freeman Spogli Funds, our Founder and the Class B Trusts, pursuant to which the Freeman Spogli Funds will be entitled to nominate (a) two directors for election to our board of directors for so long as the Freeman Spogli Funds collectively hold % or more of the shares of Class A common stock held by Freeman Spogli Funds immediately prior to the completion of this offering, and (b) one director for election to our board of directors for so long as the Freeman Spogli Funds collectively hold % or more of the shares of Class A common stock held by Freeman Spogli Funds immediately prior to the completion of this offering. Pursuant to the terms of the investor rights agreement, the Freeman Spogli Funds, our Founder and the Class B Trusts will agree to vote in favor of Freeman Spogli Funds' nominees. In addition, subject to certain conditions, the investor rights agreement provides the Freeman Spogli Funds with certain rights with respect to board committee membership, except to the extent that such membership would violate applicable securities laws or stock exchange or stock market rules.

Directors' and Officers' Indemnification

Our amended and restated certificate of incorporation that will be in effect upon the completion of this offering will contain provisions limiting the liability of our directors and officers, and our amended and restated bylaws that will be in effect upon the completion of this offering will provide that we will indemnify each of our directors and officers to the fullest extent permitted under Delaware law. Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering also will provide our board of directors with discretion to indemnify our employees and other agents when determined appropriate by the board of directors.

In addition, upon the completion of this offering, we intend to enter into indemnification agreements with each of our directors and executive officers, which will require us to indemnify them.

Policies and Procedures for Related Party Transactions

Our board of directors recognizes that transactions with related persons present a heightened risk of conflicts of interests or improper valuation (or the perception thereof). In connection with this offering, our board of directors intends to adopt a written policy on transactions with related persons that is in conformity with the requirements for issuers having publicly held common stock that is listed on Nasdaq. Under such policy, any related person transaction, and any material amendment or modification to a related person transaction, must be reviewed and approved or ratified by the board of directors.

In connection with the review and approval or ratification of a related person transaction:

- management must disclose to the board of directors the name of the related person and the basis on which the person is a related person, the material terms of the related person transaction, including the approximate dollar value of the amount involved in the transaction and all the material facts as to the related person's direct or indirect interest in, or relationship to, the related person transaction;
- management must advise the board of directors as to whether the related person transaction complies with the terms of our agreements governing our material outstanding indebtedness that limit or restrict our ability to enter into a related person transaction;
- management must advise the board of directors as to whether the related person transaction will be required to be disclosed in our applicable filings under the Securities Act or the Exchange Act, and related rules, and, to the extent required to be disclosed, management must ensure that the related person transaction is disclosed in accordance with such Acts and related rules; and
- management must advise the board of directors as to whether the related person transaction constitutes a "personal loan" for purposes of Section 402 of the Sarbanes-Oxley Act.

In addition, the related person transaction policy will provide that the board of directors in connection with any approval or ratification of a related person transaction involving a non-employee director or director nominee, should consider whether such transaction would compromise the director or director nominee's status as an "independent," or "outside" director, as applicable, under the rules and regulations of the SEC, and the U.S. Internal Revenue Code of 1986, as amended.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following sets forth information as of , 2021 with respect to the beneficial ownership of our common stock, giving pro forma effect to the Reorganization:

- each person known by us to own beneficially more than 5% of our outstanding shares of common stock;
- each of our named executive officers;
- each of our directors and director nominees;
- all of our executives officers, directors and director nominees as a group; and
- each of the selling stockholders.

For further information regarding material transactions between us and our stockholders or their affiliates, see "Certain Relationships and Related Party Transactions."

Beneficial ownership for the purposes of the following table is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof or has the right to acquire such powers within 60 days. Common stock subject to options or other rights held by such person that are currently exercisable or exercisable within 60 days of the date of this prospectus are deemed to be outstanding and beneficially owned. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of beneficial ownership is based on million shares of common stock to be outstanding after the completion of this offering after giving effect to the Reorganization.

Except as disclosed in the footnotes to this table and subject to applicable community property laws, we believe that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder. Unless otherwise indicated in the table or footnotes below, the address for each beneficial owner is c/o Arhaus, Inc., 51 E. Hines Hill Road, Boston Heights, Ohio 44236.

Name of Beneficial Owner	Class A Common Stock Beneficially Owned: After Giving Effect to the Reorganization and Before this Offering — Number	%	Class A Common Stock Beneficially Owned: After Giving Effect to the Reorganization and After this Offering — Number	%	Class B Common Stock Beneficially Owned: After Giving Effect to the Reorganization and Before this Offering — Number	%	Class B Common Stock Beneficially Owned: After Giving Effect to the Reorganization and After this Offering — Number	%	Combined Voting Power (1): After Giving Effect to the Reorganization and Before this Offering — Number	%	Combined Voting Power (1): After Giving Effect to the Reorganization and After this Offering — Number	%
5% Stockholders:												
FS Equity Partners VI, L.P (2) (5)												
Named Executive Officers, Directors and Director Nominees:												
John Reed (3) (5)												
Dawn Phillipson												
Kathy Veltri												
Al Adams (4) (5)												
Bill Beargie (4) (5)												
Brad Brutocao (2)												
Rick Doody												
Andrea Hyde												
John Kyees												
Gary Lewis												
John Roth (2)												
All executive officers and directors as a group (15 individuals)												
Other Selling Stockholders												

* Represents beneficial ownership of less than 1% of our outstanding common stock.

(1) Represents the percentage of voting power of our Class A common stock and Class B common stock voting as a single class. Each share of Class A common stock and each share of Class B common stock entitles the registered holder thereof to one vote and ten votes per share, respectively, on all matters presented to stockholders for a vote generally.

(2) FS Capital Partners VI, LLC, as the general partner of FS Equity Partners VI, L.P. has the sole power to vote and dispose of the shares of our common stock owned by the FS Equity Partners VI, L.P. Messrs. Brad J. Brutocao and John Roth are managing members of FS Capital Partners VI, LLC, and are members of Freeman Spogli & Co., and as such may be deemed to be the beneficial owners of the shares of our common stock owned by FS Equity Partners VI, L.P. Messrs. Brutocao and Roth each disclaims beneficial ownership in the shares except to the extent of his pecuniary interest in it. The business address of FS Equity Partners VI, L.P. and FS Capital Partners VI, LLC is c/o Freeman Spogli & Co., 11100 Santa Monica Boulevard, Suite 1900, Los Angeles, California 90025.

(3) shares of Class B common stock are held by the John P. Reed Trust dated 4/29/1985, as amended, of which Mr. Reed is trustee and; shares of Class B common stock are held by The John P. Reed 2019 GRAT, of which Mr. Reed is trustee.

(4) shares of Class B common stock are held by the Founder Family Trusts as follows: (a) shares of Class B common stock held by the Reed 2013 Generation Skipping Trust, of which Messrs. Adams and Beargie are trustees; and (b) shares of Class B common stock are held by the 2018 Reed Dynasty Trust, of which Messrs. Adams and Beargie are trustees. Neither Messrs. Adams nor Beargie have any pecuniary interest in the shares and each disclaims beneficial ownership in such shares.

(5) Pursuant to the terms of the investor rights agreement, the Freeman Spogli Funds, the Founder and the Founder Family Trusts will agree to vote in favor of the Freeman Spogli Funds' nominees. As a result, the Freeman Spogli Funds, the Founder and the Founder Family Trusts may be deemed to be the beneficial owner of the shares of common stock owned by the other. Each of the Freeman Spogli Funds, the Founder and the Founder Family Trusts expressly disclaims beneficial ownership of the shares of common stock not directly held by it, and such shares have not been included in the table above for purposes of calculating the number of shares beneficially owned by the Freeman Spogli Funds, the Founder or the Founder Family Trusts. For a more detailed description of the investor rights agreement, see "Certain Relationships and Related Party Transactions—Investor Rights Agreement."

DESCRIPTION OF CERTAIN INDEBTEDNESS

Revolving Credit Facility

On June 25, 2020, Arhaus, LLC entered into the Revolving Credit Facility with Wingspire Capital LLC, as administrative agent, and the lenders party thereto. The Revolving Credit Facility will mature on June 25, 2023.

The Revolving Credit Facility is secured by first-priority liens on substantially all assets of the company. The Revolving Collateral Facility provides for borrowings and reborrowings from time to time for working capital and general corporate purposes in an amount equal to the lesser of (a) $30.0 million and (b) a borrowing base calculated based on specified percentages of our eligible credit card receivables and inventory and unrestricted cash above a certain dollar threshold and held in one or more designated controlled accounts, subject to certain adjustments and reserves.

Loans under the Revolving Credit Facility bear interest at either (a) a LIBOR rate plus a margin of 5.5%, for LIBOR loans, or (b) a base rate plus a margin of 4.5%, for base rate loans. If a loan is converted to a base rate loan due to the replacement of LIBOR, such base rate loans will bear interest at the greater of (a) the prime rate then in effect, (b) the federal funds rate then in effect, plus 1.0% per annum, and (c) the LIBOR index rate; provided that such interest rate shall at no time be less than 2.5%.

The Revolving Credit Facility requires us to prepay outstanding loans, subject to certain exceptions, with 100% of the net cash proceeds of non-ordinary course asset sales or other dispositions of property or casualty events giving rise to the receipt of insurance proceeds or condemnation awards, the incurrence of indebtedness, the issuance of equity interests, and the receipt of cash for extraordinary events, subject to reinvestment rights. We may also repay outstanding loans or reduce outstanding commitments under the Revolving Credit Facility at any time without premium or penalty (other than a 2.0% premium payable on the amount of the revolving commitments under the Revolving Credit Facility so reduced if on or prior to June 25, 2022 or a 1.0% premium payable on the amount of the revolving commitments under the Revolving Credit Facility so reduced if after June 25, 2022 and on or prior April 26, 2023). Cash dominion will apply if excess availability falls below a specified threshold or upon specified events of default.

The Revolving Credit Facility includes affirmative and negative covenants that are customary for facilities of this type, including a minimum fixed charge ratio and minimum EBITDA requirements. The Revolving Credit Facility also includes customary events of default, including cross-defaults provisions with respect to material indebtedness of $2,500,000 or more.

DESCRIPTION OF CAPITAL STOCK

General

The following is a summary of the rights of our common and preferred stock and some of the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will each become effective at or prior to the consummation of this offering, and relevant provisions of Delaware General Corporation Law. The descriptions herein are qualified in their entirety by our amended and restated certificate of incorporation, and amended and restated bylaws, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part, as well as the relevant provisions of Delaware General Corporation Law.

We are selling shares of Class A common stock in this offering. Upon completion of this offering, our amended and restated certificate of incorporation will authorize shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Our amended and restated certificate of incorporation will authorize capital stock consisting of:

- shares of Class A common stock, par value $0.0001 per share;
- shares of Class B common stock, par value $0.0001 per share; and
- shares of preferred stock, par value $0.0001 per share.

Class A and Class B Common Stock

We will have two classes of duly authorized, validly issued, fully paid and non-assessable common stock: Class A common stock and Class B common stock. All authorized but unissued shares of our Class A common stock and Class B common stock will be available for issuance by our board of directors without any further stockholder action, except as required by the listing standards of Nasdaq. Our amended and restated certificate of incorporation will provide that the rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, conversion and transfer rights.

Voting Rights

Each holder of our Class A common stock is entitled to one vote per share on all matters submitted to a vote of the stockholders, and each holder of our Class B common stock is entitled to ten votes per share on all matters submitted to a vote of the stockholders. The holders of our Class A common stock and Class B common stock will generally vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by Delaware law or our amended and restated certificate of incorporation.

Delaware law would require holders of our Class A common stock to vote separately as a single class in the following circumstance:

- If we were to seek to change the par value of the common stock or amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences or special rights of the common stock as a whole in a way that would adversely affect the holders of Class A common stock.

As a result, in these limited instances, the holders of a majority of the Class A common stock could defeat any amendment to our certificate of incorporation. For example, if a proposed amendment of our

certificate of incorporation provided for the Class A common stock to rank junior to the Class B common stock with respect to (i) any dividend or distribution, (ii) the distribution of proceeds were we to be acquired or (iii) any other right, Delaware law would require the vote of the Class A common stock. In this instance, the holders of a majority of Class A common stock could defeat that amendment to our certificate of incorporation.

Our amended and restated certificate of incorporation that will be in effect upon the completion of this offering will provide that the number of authorized shares of preferred stock, Class A common stock or Class B common stock, may be increased or decreased (but not below the number of shares of preferred stock, Class A common stock and Class B common stock then outstanding) by the affirmative vote of the holders of a majority of the outstanding voting power of all of our outstanding, voting together as a single class. As a result, the holders of a majority of the outstanding Class B common stock can approve an increase or decrease in the number of authorized shares of Class A common stock without a separate vote of the holders of Class A common stock. This could allow us to increase and issue additional shares of Class A common stock beyond what is currently authorized in our certificate of incorporation without the consent of the holders of our Class A common stock.

The holders of common stock will not have cumulative voting rights in the election of directors.

Dividends

Subject to preferences that may be applicable to any preferred stock then outstanding, holders of our Class A common stock and Class B common stock are entitled to receive ratably dividends, if any, as may be declared from time to time by the board of directors at its discretion out of legally available funds for that purpose, after payment of dividends required to be paid on outstanding preferred stock, if any. Under Delaware law, we can only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation's assets can be measured in a number of ways and may not necessarily equal their book value. In addition, holders of our Class A common stock would be entitled to vote separately as a class on dividends and distributions if the holders of Class A common stock were treated adversely. As a result, if the holders of Class A common stock were treated adversely in any dividend or distribution, the holders of a majority of Class A common stock could defeat that dividend or distribution. See "Dividend Policy."

Liquidation, Dissolution and Winding Up

Upon our liquidation, dissolution or winding up or a deemed liquidation, the holders of our Class A common stock and Class B common stock will be entitled to share equally and ratably in the assets legally available for distribution to stockholders after the payment of all of our outstanding debts and other liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock, unless a different treatment is approved by the affirmative vote of the holders of a majority of the outstanding shares of each class of common stock, including the Class A common stock, voting separately as a class. As a result, the holders of a majority of each class of common stock, including the Class A common stock, could defeat a proposed distribution of any assets on our liquidation, dissolution, or winding up or deemed liquidation if that distribution were not to be shared equally, identically, and ratably. If a change-of-control transaction is not considered a deemed liquidation, such transaction shall require the approval of the affirmative vote of the holders of a majority of the outstanding shares of each class of common stock, including the Class A common stock, voting separately as a class.

Subdivisions and Combinations

If we subdivide or combine in any manner outstanding shares of Class A common stock or Class B common stock, the outstanding shares of the other class will be subdivided or combined in the same manner, unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a

majority of the outstanding shares of Class A common stock and by the affirmative vote of the holders of a majority of the outstanding shares of Class B common stock, each voting separately as a class.

No Preemptive or Similar Rights

Except for the conversion provisions for our Class B common stock described below, holders of our common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock.

Conversion Rights

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of our Class B common stock will convert automatically into one share of our Class A common stock upon any transfer, whether or not for value, except certain transfers to entities, to the extent the transferor retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock, and certain other transfers described in our amended and restated certificate of incorporation. All outstanding shares of our Class B common stock will convert into shares of our Class A common stock upon the earliest to occur of (i) twelve months after the death or incapacity of our Founder, and (ii) the date upon which the then outstanding shares of Class B common stock first represent less than 10% of the voting power of the then outstanding shares of Class A common stock and Class B common stock.

Assessment

All outstanding shares of our Class A common stock will be fully paid and non-assessable, and the shares of our Class A common stock offered in this offering, upon payment and delivery in accordance with the underwriting agreement, will be fully paid and non-assessable.

Preferred Stock

Subject to limitations prescribed by Delaware law, our board of directors may fix the rights, preferences, privileges and restrictions of up to an aggregate of shares of preferred stock in one or more series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action. Our board of directors also can increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Upon the completion of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock. Our board of directors may issue preferred stock as an anti-takeover measure without any further action by the holders of common stock.

Forum Selection

Our amended and restated certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, employees or our stockholders, (iii) any action asserting a claim against us or any of our directors or officers or other employees arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws, (iv) any action or proceeding to interpret, apply, enforce or

determine the validity of our certificate of incorporation or bylaws, (v) any action or proceeding as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware, or (vi) any action asserting a claim governed by the internal affairs doctrine. Our amended and restated certificate of incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision. In the event that the Court of Chancery of the State of Delaware lacks jurisdiction over any such action or proceeding, the sole and exclusive forum for such action or proceeding will be another state or federal court located within the State of Delaware. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the foregoing provision. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the types of actions and proceedings specified above, this choice of forum provision limits a stockholder's ability to bring a claim subject to this provision in another judicial forum, including in a judicial forum that it may find favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees.

Registration Rights

After the completion of this offering, certain holders of our Class A common stock and our Class B common stock will be entitled to rights with respect to the registration of their shares, including shares of Class A common stock issuable upon conversion of shares of Class B common stock, under the Securities Act. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement" for more information.

Investor Rights Agreement

After the completion of this offering, the Freeman Spogli Funds, our Founder and the Class B Trusts will have certain rights and obligations with respect to voting for the nomination of certain directors and director nominees and with respect to board committee membership. For a more detailed description of the investor rights agreement, see "Certain Relationships and Related Party Transactions—Investor Rights Agreement."

Anti-Takeover Provisions

Certain provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws may have the effect of delaying, deferring or discouraging another party from acquiring control of us by means of a tender offer; an acquisition of us by means of a proxy contest or otherwise; or the removal of our incumbent officers and directors. These provisions also are designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. They, however, also give our board of directors the power to discourage acquisitions that some stockholders may consider to be in their best interest or in our best interests, including transactions that provide for payment of a premium over the market price for our shares.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaw Provisions

Our amended and restated certificate of incorporation and our amended and restated bylaws will include several provisions that could deter hostile takeovers or delay or prevent changes in control of our board of directors or management team.

Dual Class Stock. As described above in "—Class A and Class B Common Stock—Voting Rights," our amended and restated certificate of incorporation will provide for a dual class common stock structure, as a result of which our Founder and the Class B Trusts will hold % and %, respectively, of the voting power of our outstanding capital stock. As a result, our Founder and the Class B Trusts could be able to determine or significantly

influence any action requiring the approval of our stockholders, including the election of our board of directors, the adoption of amendments to our certificate of incorporation and bylaws, and the approval of any merger, consolidation, sale of all or substantially all of our assets, or other major corporation transactions.

Board of Directors Vacancies. Our amended and restated certificate of incorporation and amended and restated bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors will be permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. Consequently, it would be more difficult to change the composition of our board of directors and will promote continuity of management.

Classified Board of Directors. Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our board of directors will be classified into three classes of directors with staggered three-year terms. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors. See "Management—Composition of our Board of Directors."

Stockholder Action; Special Meeting Of Stockholders. Our amended and restated certificate of incorporation will provide that our stockholders will not be able to take action by written consent for any matter and may only take action at annual or special meetings. As a result, a holder controlling a majority of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws. Our amended and restated certificate of incorporation will further provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors, our chief executive officer, or our president , thus limiting the ability of a stockholder to call a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws also will specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

No Cumulative Voting. The DGCL provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise, and our amended and restated certificate of incorporation will not provide for cumulative voting. Accordingly, the holders of a majority of the outstanding shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they choose.

Directors Removed Only for Cause. Our amended and restated certificate of incorporation will provide that stockholders may remove directors only for cause and, in addition to any other vote required by law, upon the approval of not less than two thirds of the total voting power of all of our outstanding voting stock then entitled to vote in the election of directors.

Issuance of undesignated preferred stock. Our board of directors will have the authority, without further action by our stockholders, to issue up to shares of undesignated preferred stock with rights and

preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.

Amendment of Charter and Bylaws Provisions. The amendment of any of the foregoing provisions, other than the provision making it possible for our board of directors to issue shares of preferred stock, would require the approval of two-thirds of the then-outstanding voting power of our capital stock. Our amended and restated bylaws will provide that approval of stockholders holding two-thirds of the then-outstanding voting power of our capital stock is required for stockholders to amend or adopt any provision of our bylaws.

The provisions of the DGCL, our amended and restated certificate of incorporation and our amended and restated bylaws could have the effect of discouraging others from attempting hostile takeovers, and as a consequence, they also may inhibit temporary fluctuations in the market price of our Class A common stock that often result from actual or rumored hostile takeover attempts. These provisions also may have the effect of preventing changes in the composition of our board of directors and management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Delaware Law

We are subject to Section 203 of the DGCL, which prohibits persons deemed to be "interested stockholders" from engaging in a "business combination" with a publicly held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors.

Corporate Opportunity

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to a corporation or its officers, directors, or stockholders. In our amended and restated certificate of incorporation, to the fullest extent permitted by applicable law, we will renounce any interest or expectancy that we have in any business opportunity, transaction, or other matter in which Freeman Spogli, any officer, director, partner, or employee of any entity comprising a Freeman Spogli entity, and any portfolio company in which such entities or persons have an equity interest (other than us), each, an Excluded Party, participates or desires or seeks to participate in, even if the opportunity is one that we might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so. Each such Excluded Party shall have no duty to communicate or offer such business opportunity to us and, to the fullest extent permitted by applicable law, shall not be liable to us or any of our stockholders for breach of any fiduciary or other duty, as a director or officer or controlling stockholder, or otherwise, by reason of the fact that such Excluded Party pursues or acquires such business opportunity, directs such business opportunity to another person, or fails to present such business opportunity, or information regarding such business opportunity, to us. Notwithstanding the foregoing, our amended and restated certificate of incorporation does not renounce any interest or expectancy we may have in any business opportunity, transaction or other matter that is (1) offered in writing solely to one of our directors or officers who is not also an Excluded Party, (2) offered to an Excluded Party who is one of our directors, officers or employees and who is offered such opportunity solely in his or her capacity as one of our directors, officers or employees, or (3) identified by an Excluded Party solely through the disclosure of information by or on our behalf.

Limitations on Liability and Indemnification of Officers and Directors

See “Certain Relationships and Related Party Transactions—Directors’ and Officers’ Indemnification.”

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock is American Stock Transfer & Trust Company, LLC.

Trading Symbol and Market

We have applied to list our Class A common stock on Nasdaq under the symbol ARHS. We do not intend to list the Class B common stock on any securities exchange.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately before this offering, there was no public market for our common stock. Future sales of substantial amounts of common stock in the public market, or the perception that such sales may occur, could adversely affect the market price of our common stock. Although we have applied to have our common stock listed on , we cannot assure you that a public market for our common stock will develop.

Following the completion of the Reorganization and this offering, we will have outstanding an aggregate of shares of common stock, assuming that the underwriters do not exercise their option to purchase additional shares of common stock in this offering, or shares of our common stock outstanding, assuming that the underwriters exercise in full their option to purchase additional shares of common stock in this offering by us or the selling stockholders. Of these shares, shares of common stock sold in this offering will be freely tradeable without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act, whose sales would be subject to the Rule 144 resale restrictions described below.

The remaining shares of common stock will be "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 under the Securities Act, which are summarized below. These remaining shares of common stock held by our existing stockholders upon completion of this offering will be available for sale in the public market after the expiration of the lock-up agreements described in "Underwriting," taking in account the provisions of Rules 144 and 701 under the Securities Act.

Rule 144

In general, Rule 144 provides that once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days before a sale and who has beneficially owned the shares of our common stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation, or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, Rule 144 provides that our affiliates, either at the time of the sale or during the immediately preceding 90 days, or persons selling shares of our common stock on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described above, within any three-month period, a number of shares of our common stock that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal shares immediately after this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 for that sale.

Sales of common stock made in reliance upon Rule 144 by our affiliates or persons selling shares of our common stock on behalf of our affiliates are also subject to certain manner-of-sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who acquired shares from us in connection with a compensatory stock or option plan or other written agreement in compliance with Rule 701 before the effective date of the registration statement of which this prospectus is a part, are eligible to resell such shares in reliance upon Rule 144 beginning 90 days after the date of this prospectus, subject to the terms at any applicable lock-up restrictions as discussed below. If such person is not an affiliate, the sale may be made without complying with the minimum holding period or public information requirements of Rule 144. If such a person is an affiliate, the sale may be made under Rule 144 without compliance with its one-year minimum holding period, but subject to the other Rule 144 restrictions.

Equity Incentive Plans

We intend to file a registration statement on Form S-8 under the Securities Act promptly after the effectiveness of this offering to register shares of our common stock reserved for future issuances under the 2021 Equity Plan. The registration statement on Form S-8 is expected to become effective immediately upon filing, and shares of our common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable market standoff agreements and lock-up agreements. See “Executive Compensation—Equity Plans” for a description of our equity compensation plans.

Lock-Up Agreements

In connection with this offering, we, our officers, directors and existing security holders have agreed, subject to certain limited exceptions, not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of BofA Securities, Inc. and Jefferies LLC. See “Underwriting.”

Registration Rights

After the completion of this offering, certain holders of our Class A common stock and Class B common stock and their permitted transferees will be entitled to certain rights with respect to the registration under the Securities Act of the offer and sale of the shares of our Class A common stock. See “Certain Relationships and Related Party Transactions—Registration Rights Agreement” and “Description of Capital Stock—Registration Rights” for a description of these registration rights. If the offer and sale of these shares of Class A common stock are registered, the shares will be freely tradeable without restriction under the Securities Act, subject to the Rule 144 limitations applicable to affiliates, and a large number of shares may be sold into the public market.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK

The following is a summary of the material U.S. federal income tax consequences to certain non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our Class A common stock issued pursuant to this offering but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated thereunder, published rulings and administrative pronouncements of the Internal Revenue Service, or the IRS, and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below. No ruling from the IRS has been, or will be, sought with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained.

This summary does not address the tax considerations arising under the laws of any non-U.S., state, or local jurisdiction, or under U.S. federal gift and estate tax laws, except to the limited extent set forth below. In addition, this discussion does not address the application of the Medicare contribution tax on net investment income, the alternative minimum tax, or any tax considerations applicable to a non-U.S. holder's particular circumstances or non-U.S. holders that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions (except to the extent specifically set forth below), regulated investment companies, or real estate investment trusts;
- tax-exempt organizations or governmental organizations;
- "controlled foreign corporations," "passive foreign investment companies," or corporations that accumulate earnings to avoid U.S. federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities or other persons that elect to use a mark-to-market method of accounting for their holdings in our stock;
- U.S. expatriates or certain former citizens or long-term residents of the United States;
- partnerships or entities classified as partnerships for U.S. federal income tax purposes or other pass-through entities (and investors therein);
- persons who hold our Class A common stock as a position in a hedging transaction, "straddle," "conversion transaction," or other risk reduction transaction or integrated investment;
- persons who do not hold our Class A common stock as a capital asset within the meaning of Section 1221 of the Code;
- persons deemed to sell our Class A common stock under the constructive sale provisions of the Code; or
- persons that own, or are deemed to own, more than five percent of our Class A common stock (except to the extent specifically set forth below).

In addition, if an entity or arrangement classified as a partnership for U.S. federal income tax purposes holds our Class A common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our Class A common stock, and partners in such partnerships, should consult their tax advisors.

You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the acquisition, ownership, and disposition of our common stock arising under the U.S. federal estate or gift tax rules, under the laws of any state, local, non-U.S., or other taxing jurisdiction, or under any applicable tax treaty.

Non-U.S. Holder Defined

For purposes of this discussion, a non-U.S. holder is a holder of our common stock that is not an entity or arrangement treated as a partnership for U.S. federal income tax purposes and is not any of the following:

- an individual who is a citizen or resident of the United States (for U.S. federal income tax purposes);
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof or other entity treated as such for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more "U.S. persons" (within the meaning of Section 7701(a)(30) of the Code) who have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a U.S. person.

Distributions

As described in the section titled "Dividend Policy," we do not expect to pay any dividends in the foreseeable future, and any future dividend payments will be at the discretion of our Board of Directors and depend on various factors and restrictions. However, if we do make distributions of cash or property on our Class A common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce a non-U.S. holder's adjusted tax basis in its Class A common stock, but not below zero, and then will be treated as gain from the sale of stock as described below under "—Gain on Disposition of Our Class A Common Stock."

Except as otherwise described below in the discussions of effectively connected income, backup withholding and FATCA, any dividend paid to a non-U.S. holder generally will be subject to U.S. federal withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty. In order to receive a reduced treaty rate, a non-U.S. holder must provide us with an IRS Form W-8BEN, IRS Form W-8BEN-E, or other appropriate version of IRS Form W-8, including any required attachments and a valid taxpayer identification number, certifying qualification for the reduced rate; additionally a non-U.S. holder will be required to update such Forms and certifications from time to time as required by law. A non-U.S. holder of shares of our Class A common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Effectively Connected Income

If a non-U.S. holder is engaged in a U.S. trade or business and dividends on, or any gain recognized upon the disposition of, Class A common stock, are effectively connected with the conduct of that U.S. trade or business (and, if required by an applicable income tax treaty, the Non-U.S. holder maintains a permanent establishment in the United States to which dividends are attributable), then such non-U.S. holder would be subject to U.S. federal income tax on that dividend or gain on a net income basis at the regular rates, unless an applicable income tax treaty provides otherwise. In that case, such non-U.S. holder generally would be exempt from the withholding tax discussed above on dividends, although the non-U.S. holder generally would be required to provide a properly executed IRS Form W-8ECI in order to claim such exemption. In addition, if the non-U.S. holder is a corporation, it generally would be subject to a "branch profits tax" at a rate of 30% (or an applicable lower treaty rate) on its effectively connected earnings and profits attributable to such dividend or gain (subject to certain adjustments). Non-U.S. holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Gain on Disposition of Our Class A Common Stock

Except as otherwise described below in the discussions of backup withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our Class A common stock unless:

- the gain is effectively connected with the conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment maintained by the non-U.S. holder in the United States);

- the non-U.S. holder is a non-resident alien individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or other taxable disposition occurs, and other conditions are met; or

- our Class A common stock constitutes a "United States real property interest," or USRPI, by reason of our status as a "United States real property holding corporation," or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the sale or other taxable disposition of, or the holding period for, our Class A common stock, and, in the case where shares of our Class A common stock are regularly traded on an established securities market, the non-U.S. holder owns, or is treated as owning, more than 5% of our Class A common stock at any time during the foregoing period.

Generally, a corporation is a USRPHC if the fair market value of its USRPIs equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for United States federal income tax purposes). We believe that we are not currently and will not become a USRPHC for U.S. federal income tax purposes, and the remainder of this discussion assumes this is the case. However, because the determination of whether we are a USRPHC depends on the fair market value of our USRPIs relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our Class A common stock is "regularly traded" (as defined by applicable Treasury Regulations") on an established securities market, such Class A common stock will be treated as USRPIs only if a non-U.S. holder actually or constructively holds more than 5% of such regularly traded Class A common stock at any time during the shorter of the five-year period preceding the sale or other taxable disposition of, or the holding period for, our Class A common stock. No assurance can be provided that our Class A common stock will be regularly traded on an established securities market at all times for purposes of the rules described above.

A non-U.S. holder with gain described in the first bullet above will generally be required to pay tax on the net gain under regular U.S. federal income tax rates (and a corporate non-U.S. holder described in the first

bullet above also may be subject to the branch profits tax at a 30% rate (subject to certain adjustments)), unless otherwise provided by an applicable income tax treaty. A non-U.S. holder described in the second bullet above will generally be required to pay a flat 30% tax (or such lower rate specified by an applicable income tax treaty) on the gain, which gain may be offset by U.S. source capital losses for the year (provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses). Non-U.S. holders should consult their tax advisors with respect to whether any applicable income tax or other treaties may provide for different rules.

Backup Withholding and Information Reporting

Information returns are required to be filed with the IRS in connection with any distributions on our Class A common stock paid to the non-U.S. holder, regardless of whether such distribution constitute dividends or whether any tax was actually withheld. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in the country of residence or the country in which the non-U.S. holder is established, as applicable.

Payments of dividends or of proceeds on the disposition of stock made to a non-U.S. holder may be subject to backup withholding at a current rate of 24% unless the non-U.S. holder establishes an exemption, for example, by properly certifying non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E, or otherwise establish an exemption. Notwithstanding the foregoing, backup withholding may apply if either we or the paying agent has actual knowledge, or reason to know, that a non-U.S. holder is a United States person as defined under the Code. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Backup withholding is not an additional tax; rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

Additional Withholding Tax on Payments Made to Foreign Accounts

The Foreign Account Tax Compliance Act and the rules and regulations promulgated thereunder (collectively, “FATCA”) generally impose withholding tax at a rate of 30% on dividends on our Class A common stock paid to “foreign financial institutions” (as specially defined under these rules), unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise establishes an exemption. FATCA also generally imposes a U.S. federal withholding tax of 30% on dividends paid to a “non-financial foreign entities” (as specially defined under these rules) unless such entity provides the withholding agent with a certification identifying certain substantial direct and indirect U.S. owners of the entity, certifies that there are none, or otherwise establishes and certifies to an exemption. An intergovernmental agreement between the United States and a non-U.S. holder’s country of tax residence may modify the requirements described in this paragraph. If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under “ —Distributions,” the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our Class A common stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of stock on or after

January 1, 2019, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Non-U.S. holders should consult their tax advisors regarding the possible implications of FATCA on their investment in our Class A common stock.

Each prospective investor should consult its tax advisor regarding the particular U.S. federal, state, and local, and non-U.S. tax consequences of purchasing, holding, and disposing of our common stock, including the consequences of any proposed change in applicable laws.

UNDERWRITING

BofA Securities, Inc. and Jefferies LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us, the selling stockholders and the underwriters, we and the selling stockholders have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us and the selling stockholders, the number of shares of Class A common stock set forth opposite its name below.

Underwriter	Number of Shares
BofA Securities, Inc.	
Jefferies LLC	
Morgan Stanley & Co. LLC	
Piper Sandler & Co.	
Robert W. Baird & Co. Incorporated	
Barclays Capital Inc.	
Guggenheim Securities, LLC	
William Blair & Company, L.L.C.	
Telsey Advisory Group LLC	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares of Class A common stock sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares of Class A common stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares of Class A common stock, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us and the selling stockholders that the underwriters propose initially to offer the shares of Class A common stock to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us and the selling stockholders. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares of Class A common stock.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to Arhaus, Inc.	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $ and are payable by us and the selling stockholders.

We have also agreed to reimburse the underwriters for certain expenses in connection with this offering in the amount up to $. The underwriters have agreed to reimburse us for certain expenses incurred by us in connection with this offering upon the closing of the offering.

Option to Purchase Additional Shares

The selling stockholders have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to additional shares of Class A common stock at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares of Class A common stock proportionate to that underwriter's initial amount reflected in the above table.

No Sales of Similar Securities

We and the selling stockholders, our executive officers and directors and our other existing security holders have agreed not to sell or transfer any Class A common stock or securities convertible into, exchangeable for, exercisable for, or repayable with Class A common stock, for 180 days after the date of this prospectus without first obtaining the written consent of BofA Securities, Inc. and Jefferies LLC. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any Class A common stock,
- sell any option or contract to purchase any Class A common stock,
- purchase any option or contract to sell any Class A common stock,
- grant any option, right or warrant for the sale of any Class A common stock,
- lend or otherwise dispose of or transfer any Class A common stock,
- request or demand that we file or make a confidential submission of a registration statement related to the Class A common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any Class A common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to Class A common stock and to securities convertible into or exchangeable or exercisable for or repayable with Class A common stock. It also applies to Class A common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Listing

We have applied to list our Class A common stock on Nasdaq under the symbol "ARHS." We do not intend to list the Class B common stock on any securities exchange.

Before this offering, there has been no public market for our Class A common stock. The initial public offering price will be determined through negotiations among us, the selling stockholders and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares of Class A common stock may not develop. It is also possible that after the offering the shares of Class A stock will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares of Class A common stock in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares of Class A common stock is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our Class A common stock. However, the representatives may engage in transactions that stabilize the price of the Class A common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our Class A common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. “Naked” short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of Class A common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our Class A common stock or preventing or retarding a decline in the market price of our Class A common stock. As a result, the price of our Class A common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on Nasdaq, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Class A common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

European Economic Area

In relation to each Member State of the European Economic Area (each a "Relevant State"), no shares have been offered or will be offered pursuant to the offering to the public in that Relevant State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation), except that offers of shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

a. to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

b. to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of representatives for any such offer; or

c. in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares shall require the Company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Each person in a Relevant State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company and the underwriters that it is a qualified investor within the meaning of the Prospectus Regulation.

In the case of any shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Relevant State to qualified investors, in circumstances in which the prior consent of the underwriters has been obtained to each such proposed offer or resale.

The Company, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

The above selling restriction is in addition to any other selling restrictions set out below.

In connection with the offering, the underwriters are not acting for anyone other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for providing advice in relation to the offering.

Notice to Prospective Investors in the United Kingdom

In relation to the United Kingdom, or the UK, no shares have been offered or will be offered pursuant to the offering to the public in the UK prior to the publication of a prospectus in relation to the shares which has been approved by the Financial Conduct Authority in the UK in accordance with the UK Prospectus Regulation and the FSMA, except that offers of shares may be made to the public in the UK at any time under the following exemptions under the UK Prospectus Regulation and the FSMA:

a. to any legal entity which is a qualified investor as defined under the UK Prospectus Regulation;

b. to fewer than 150 natural or legal persons (other than qualified investors as defined under the UK Prospectus Regulation), subject to obtaining the prior consent of representatives for any such offer; or

c. at any time in other circumstances falling within section 86 of the FSMA,

provided that no such offer of shares shall require the Company or any underwriter to publish a prospectus pursuant to Section 85 of the FSMA or Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

Each person in the UK who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company and the underwriters that it is a qualified investor within the meaning of the UK Prospectus Regulation.

In the case of any shares being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each such financial intermediary will be deemed to have represented,

acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in the UK to qualified investors, in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares in the UK means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, and the expression "FSMA" means the Financial Services and Markets Act 2000, as amended.

In connection with the offering, are not acting for anyone other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for providing advice in relation to the offering.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus is intended for distribution only to persons of a type

specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or ASIC, in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, or the Exempt Investors, who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in

Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the shares were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time, or the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

b. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

a. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

b. where no consideration is or will be given for the transfer;

c. where the transfer is by operation of law; or

d. as specified in Section 276(7) of the SFA.

Notice to Prospective Investors in Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

LEGAL MATTERS

The validity of common stock offered hereby is being passed upon for us by Baker & Hostetler LLP. Certain legal matters concerning this offering will be passed upon for the underwriters by Latham & Watkins LLP.

EXPERTS

The balance sheet of Arhaus, Inc. as of July 14, 2021 included in this prospectus has been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Arhaus, LLC and its subsidiaries as of December 31, 2019 and 2020 and for each of the two years in the period ended December 31, 2020 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus, which constitutes part of the registration statement, does not contain all of the information presented in the registration statement or the exhibits and schedules filed thereto. Some items are omitted in accordance with the rules and regulations of the SEC. For further information about us and the common stock offered hereby, reference is made to the registration statement and the exhibits and any schedules filed therewith. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and, in each instance, if such contract or document is filed as an exhibit, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access the registration statement, including the exhibits and any schedules thereto.

Upon the closing of this offering, we will be required to file annual and periodic reports, proxy statements and other information with the Securities and Exchange Commission pursuant to the Exchange Act. This information will be available for inspection and copying at the SEC's public reference room and the website of the Securities and Exchange Commission, in each case, referred to above. We also maintain a website at http://www.arhaus.com and will make available free of charge through this website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act. We will make these reports available through our website as soon as reasonably practicable after we electronically file such reports with, or furnish such reports to, the Securities and Exchange Commission. The information contained on, or that can be accessed through, our website is not a part of this prospectus. The reference to our web address does not constitute incorporation by reference of the information contained in, or that can be accessed through, our website.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Arhaus, Inc.

Opinion on the Financial Statement – Balance Sheet

We have audited the accompanying balance sheet of Arhaus, Inc. (the "Company") as of July 14, 2021 including the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of July 14, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. 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 audit of this financial statement 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 statement is free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, 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 statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Cleveland, Ohio
July 30, 2021

We have served as the Company's auditor since 2021.

ARHAUS, INC.
BALANCE SHEET
As of July 14, 2021

	July 14, 2021
Assets	
Cash and cash equivalents	$ —
Total assets	$ —
Commitments and contingencies	—
Stockholders' Equity	
Common stock, $0.001 par value per share, 1,000 shares authorized, no shares issued and outstanding	$ —
Total stockholders' equity	$ —

See the accompanying notes to this balance sheet

ARHAUS, INC.
NOTES TO BALANCE SHEET
As of July 14, 2021

1. Organization

Arhaus, Inc. (the "Company") was formed as a Delaware corporation on July 14, 2021. The Company was formed for the purpose of completing a public offering and related transactions in order to carry on the business of Arhaus, LLC and its subsidiaries ("Arhaus"). As the holding company of Arhaus, the Company will indirectly wholly own the equity interest of Arhaus and will operate and control all of the business affairs of Arhaus.

2. Basis of Presentation and Summary of Significant Accounting Policies

A summary of significant accounting policies applied in the preparation of the balance sheet follows.

Basis of Presentation

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Separate statements of operations, comprehensive income, changes in stockholders' equity, and cash flows have not been presented because the Company has not engaged in any business or other activities except in connection with its formation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

3. Stockholders' Equity

On July 14, 2021, the Company was authorized to issue 1,000 shares of common stock, par value $0.001 per share.

4. Commitments and Contingencies

The Company may be subject to legal proceedings that arise in the ordinary course of business. There are currently no proceedings to which the Company is a party, nor does the Company have knowledge of any proceedings that are threatened against the Company.

5. Subsequent Events

The Company has evaluated subsequent events through July 30, 2021, the date the financial statements were available to be issued. The Company has concluded that no subsequent event has occurred that requires disclosure.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Members of Arhaus, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Arhaus, LLC and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in mezzanine equity and members' deficit and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated 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 of these consolidated financial statements 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 consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Cleveland, Ohio
July 30, 2021

We have served as the Company's auditor since 2018.

ARHAUS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT UNIT AND PER UNIT DATA)
DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 50,739	$ 12,389
Restricted cash equivalents	6,909	6,170
Accounts receivable, net	600	440
Merchandise inventory, net	108,022	110,071
Prepaid and other current assets	19,733	11,581
Total current assets	186,003	140,651
Property, furniture and equipment, net	117,696	116,453
Goodwill	10,961	10,961
Other noncurrent assets	1,284	846
Total assets	$315,944	$268,911
Liabilities, Mezzanine Equity and Members' Deficit		
Current liabilities		
Current portion of long-term debt	$ —	$ 15,220
Accounts payable	29,113	27,502
Accrued taxes	7,910	3,497
Accrued wages	9,660	7,100
Accrued other expenses	11,317	9,977
Client deposits	154,128	64,193
Total current liabilities	212,128	127,489
Long-term debt, net of current maturities	—	22,162
Capital lease obligation, net of current portion	47,600	47,210
Deferred rent and lease incentives	71,213	64,492
Other long-term liabilities	21,094	4,526
Total liabilities	352,035	265,879
Commitments and contingencies (Note 12)		
Mezzanine equity		
Class A preferred units (0 and 1,250,000 units issued and outstanding as of December 31, 2020 and 2019, respectively)	—	18,206
Class B preferred units (0 and 1,250,000 units issued and outstanding as of December 31, 2020 and 2019, respectively)	—	18,206
Total mezzanine equity	—	36,412
Members' deficit		
Accumulated Deficit	(37,761)	(34,747)
Additional Paid-in Capital	1,670	1,367
Total members' deficit	(36,091)	(33,380)
Total liabilities, mezzanine equity and members' deficit	$315,944	$268,911

The accompanying notes are an integral part of these consolidated financial statements.

ARHAUS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS, EXCEPT UNIT AND PER UNIT DATA)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Net revenue	$ 507,429	$ 494,538
Cost of goods sold	307,925	318,550
Gross margin	199,504	175,988
Selling, general and administrative expenses	168,340	146,052
Income from operations	31,164	29,936
Interest expense	12,555	12,916
Loss on sale of assets	8	23
Income before taxes	18,601	16,997
State and local taxes	764	365
Net and comprehensive income	$ 17,837	$ 16,632
Net and comprehensive income attributable to the unit holders	$ 12,144	$ 11,610
Net and comprehensive income per unit		
Basic and diluted	$ 0.43	$ 0.41
Weighted-average number of units		
Basic and diluted	28,426,513	28,426,513

The accompanying notes are an integral part of these consolidated financial statements.

ARHAUS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND MEMBERS' DEFICIT
(IN THOUSANDS)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	Mezzanine Equity				Members' Deficit						
	Class A Preferred		Class B Preferred		Class A		Class B				
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Accumulated Deficit	Additional Paid-in Capital	Total Members' Deficit
Balances as of December 31, 2018	1,250	$ 15,695	1,250	$ 15,695	20,939	$ —	7,488	$ —	$ (38,032)	$ 1,095	$ (36,937)
Net income									16,632		16,632
Tax distribution									(8,325)		(8,325)
Preferred units dividend unpaid		2,511		2,511					(5,022)		(5,022)
Incentive unit compensation										272	272
Balances as of December 31, 2019	1,250	$ 18,206	1,250	$ 18,206	20,939	$ —	7,488	$ —	$ (34,747)	$ 1,367	$ (33,380)
Net income									17,837		17,837
Tax distribution									(15,158)		(15,158)
Preferred units dividend unpaid		2,847		2,846					(5,693)		(5,693)
Preferred units dividend paid		(8,553)		(8,552)							—
Preferred units repayments	(1,250)	(12,500)	(1,250)	(12,500)							—
Incentive unit compensation										309	309
Repurchase of incentive units										(6)	(6)
Balances as of December 31, 2020	—	$ —	—	$ —	20,939	$ —	7,488	$ —	$ (37,761)	$ 1,670	$ (36,091)

The accompanying notes are an integral part of these consolidated financial statements.

ARHAUS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Net income	$ 17,837	$ 16,632
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	16,957	15,964
Amortization of deferred financing fees, payment-in-kind interest and interest on capital lease in excess of principal paid	3,731	3,906
Incentive unit compensation expense	403	272
Derivative expense	17,928	—
Loss on sale of property, furniture and equipment	8	23
Amortization and write-off of lease incentives	(8,034)	(7,751)
Changes in operating assets and liabilities		
Accounts receivable	(160)	(120)
Merchandise inventory	2,049	(7,818)
Prepaid and other current assets	(8,152)	(5,784)
Other noncurrent assets	(1,522)	—
Other noncurrent liabilities	(28)	178
Accounts payable	1,611	2,130
Accrued expenses	8,313	3,340
Deferred rent and lease incentives	9,559	4,486
Client deposits	89,935	(3,554)
Net cash provided by operating activities	150,435	21,904
Cash flows from investing activities		
Purchases of property, furniture and equipment	(13,011)	(9,878)
Proceeds from sale of property, furniture and equipment	—	12
Net cash used in investing activities	(13,011)	(9,866)
Cash flows from financing activities		
Proceeds from revolving debt	30,600	30,900
Payments on revolving debt	(34,600)	(26,900)
Payments on long-term debt	(36,972)	(13,280)
Preferred units dividends	(17,105)	—
Preferred units repayments	(25,000)	—
Repurchase of incentive units	(100)	—
Distributions to owners	(15,158)	(8,325)
Net cash used in financing activities	(98,335)	(17,605)
Net increase (decrease) in cash, cash equivalents and restricted cash equivalents	39,089	(5,567)
Cash, cash equivalents and restricted cash equivalents		
Beginning of year	18,559	24,126
End of year	$ 57,648	$ 18,559
Supplemental disclosure of cash flow information		
Interest paid in cash	$ 8,793	$ 11,072
Income taxes paid in cash	$ 1,218	$ 514
Noncash operating activities:		
Lease incentives	$ 5,196	$ 3,199
Noncash financing activities:		
Dividends—unpaid	$ —	$ 5,022

The accompanying notes are an integral part of these consolidated financial statements.

ARHAUS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. Nature of Business

Arhaus, LLC (the "Company", "we" or "Arhaus") is a Delaware limited liability company and is a premium retailer in the home furnishings market, specializing in livable luxury supported by heirloom quality merchandise. Our curated assortments are presented across our sales channels in sophisticated, family friendly and unique lifestyle settings. We offer merchandise assortments across a number of categories, including furniture, lighting, textiles, décor, and outdoor. We position our retail locations as Showrooms for our brand, while our website acts as a virtual extension of our Showrooms. The Company operated 74 and 70 Showrooms at December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, all of the Company's Class A units are owned by Homeworks Holdings Inc ("Holdings") and John Reed ("Reed") through the John P Reed Trust Dated 4/29/1985 as Amended ("Reed Revocable Trust"). All shares of Holdings are owned by the Reed Revocable Trust and related party trusts of Reed. All of the Company's Class B units are owned by a private equity investor.

Effects of COVID-19 on Our Business

The COVID-19 outbreak in the first quarter of fiscal year 2020 caused disruption to our business operations. In our initial response to the COVID-19 health crisis, we undertook immediate adjustments to our business operations including temporarily closing all of our retail locations, furloughing employees, minimizing expenses and delaying investments, including pausing some inventory orders while we assessed the status of our business. Our approach to the crisis evolved quickly as our business trends substantially improved during the second through fourth quarters of fiscal year 2020 as a result of both the reopening of our Showrooms and also strong consumer demand for our products. We had reopened all of our Showrooms and Outlet stores by June 30, 2020, although currently many of our Showrooms and Outlets continue to conduct business with occupancy limitations and other operational restrictions. As of June 30, 2021, substantially all of our employees were back to work.

While we have continued to serve our clients and operate our business through the ongoing COVID-19 health crisis, there can be no assurance that future events will not have an impact on our business, results of operations or financial condition since the extent and duration of the health crisis remains uncertain. Future adverse developments in connection with the COVID-19 crisis, including additional waves or resurgences of COVID-19 outbreaks, including with regard to new strains or variants of the virus, evolving international, federal, state and local restrictions and safety regulations in response to COVID-19 risks, changes in consumer behavior and health concerns, the pace of economic activity in the wake of the COVID-19 crisis, or other similar issues could adversely affect our business, results of operations or financial condition in the future, or our financial results and business performance in future periods.

Various constraints in our merchandise supply chain have resulted in some delays in our ability to convert demand into net revenue at normal historical rates. We anticipate that the business conditions related to COVID-19 will continue to adversely affect the capacity of our vendors and supply chain to meet our demand during fiscal year 2021. We expect that our supply chain may catch up to demand in the foreseeable future, but business circumstances and operational conditions in numerous international locations where our vendors operate cannot be predicted with certainty.

Depending on the future course of the pandemic and further outbreaks, we may experience further restrictions and closures of our physical operations with respect to Showrooms, Design Studios and Outlet stores. Although we experienced strong demand for our products during fiscal year 2020, some of the demand may have

been driven by stay-at-home restrictions that were in place throughout many parts of the United States. The exact impact of changes to these stay-at-home restrictions cannot be predicted with certainty.

2. Basis of Presentation and Summary of Significant Accounting Policies

A summary of significant accounting policies applied in the preparation of the consolidated financial statements are as follows:

Basis of Presentation

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include our accounts and those of our wholly owned subsidiaries. Accordingly, all intercompany balances and transactions have been eliminated through the consolidation process.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash and all other highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company regularly carries deposits in excess of federally insured amounts, but does not believe that it is exposed to significant concentration of credit risk as they are carried at a high-quality financial institution with an investment-grade rating.

Cash and cash equivalents include $5.7 million and $4.8 million at December 31, 2020 and 2019, respectively, for amounts in-transit from credit card companies since settlement is reasonably assured and not restricted.

Restricted Cash Equivalents

The Company maintains certain cash balances restricted as to withdrawal or use. Restricted cash is comprised primarily of cash used as collateral for the Company’s credit card sales processing partner, letter of credit and a portion of our workers’ compensation obligations that our insurance carrier requires us to collateralize.

Accounts Receivable

The Company’s accounts receivables are $0.6 million and $0.4 million, respectively, at December 31, 2020 and 2019, net of allowance for doubtful accounts of $0.3 million and $0.2 million, respectively. The allowance for doubtful accounts is determined by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, the client’s current ability to pay its obligations, and the condition of the general economy and industry as a whole. Accounts receivable are written off when they

become uncollectible and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Accounts receivable are recorded at the invoiced amount and do not bear interest.

Revenue Recognition

Revenue consists of sales to clients, net of returns, discounts, and rebates. Revenue and cost of goods sold is recognized when performance obligations under the terms of the contract are satisfied, and the control of merchandise has been transferred to a client, which occurs when merchandise is received by our clients. Revenues from “direct-to-client” and “home-delivered” sales are recognized when the merchandise is delivered to the client. Revenues from “cash-and-carry” Showroom sales are recognized at the point of sale in the Showroom. Discounts provided to clients are accounted for as a reduction of revenue at the point of sale. Sales commissions are incremental costs and are expensed as incurred.

A reserve is recorded for projected merchandise returns based on actual historical return rates. The Company provides an allowance for sales returns based on historical return rates, which is presented on a gross basis. The allowance for sales returns is presented within other current liabilities and the estimated value of the right of return asset for merchandise is presented within prepaid expense and other assets on the consolidated balance sheets. Actual merchandise returns are monitored regularly and have not been materially different from the estimates recorded. Merchandise returns are granted for various reasons, including delays in merchandise delivery, merchandise quality issues, client preference and other similar matters. The Company has various return policies for their merchandise, depending on the type of merchandise sold. Merchandise returned often represents merchandise that can be resold. Amounts refunded to clients are generally made by issuing the same payment tender as used in the original purchase. Merchandise exchanges of the same merchandise at the same price are not considered merchandise returns and, therefore, are excluded when calculating the sales returns reserve. The allowance for sales returns are included within accrued other expenses line item on the consolidated balance sheets and totaled $5.1 million and $4.0 million at December 31, 2020 and 2019, respectively.

All taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue producing transaction and collected by the Company from clients are excluded from the measurement of the transaction price. As a result, sales are stated net of tax.

Shipping and handling is recognized as activities to fulfill the performance obligation of transferring merchandise to clients, therefore the fees are recorded as revenue. The costs incurred by the Company for shipping and handling are included in cost of goods sold, and the costs of shipping and handling activities are accrued for in the same period as the delivery to clients.

The Company collects various taxes as an agent in connection with the sale of merchandise and remits these amounts to the respective taxing authorities. These taxes are included within accrued taxes line item of the consolidated balance sheets until remitted to the respective taxing authority.

Client deposits represent payments made by clients on orders. At the time of purchase, the Company collects deposits for all orders equivalent to at least 50 percent of the clients purchase price. Orders are recognized as revenue when the merchandise is delivered to the client and at the time of delivery the client deposit is no longer recorded as a liability. The Company expects that client deposits as of December 31, 2020, will be recognized within 2021, as the performance obligations are satisfied.

Private Label Credit Card

The Company has an agreement with a Credit Card Issuer (“Issuer”) to provide clients with private label credit cards (the “Card Agreement”) which was amended on January 13, 2021 to extend the term of the

arrangement through August 31, 2026. Each private label credit card bears the logo of the Arhaus brand and can only be used at the Company's Showroom locations and eCommerce sales channel. The Issuer is the sole owner of the accounts issued under the private label credit card program and absorbs the losses associated with non-payment by the private label card holders and a portion of any fraudulent usage of the accounts.

Pursuant to the Card Agreement, the Company receives funds from the Issuer during the term based on a percentage of private label credit card sales and is also eligible to receive incentive payments for the achievement of certain targets. These funds are recorded within net revenue in the consolidated statements of comprehensive income. The Company also receives reimbursement funds from the Issuer for certain expenses the Company incurs. These reimbursement funds are used by the Company to fund marketing and other programs associated with the private label credit card. The reimbursement funds received related to private label credit cards are recorded within net revenue in the consolidated statements of comprehensive income.

Merchandise Inventory

The Company's merchandise inventory is comprised primarily of finished goods and is carried at the lower of cost or net realizable value, with cost determined on a weighted-average cost method. To determine if the value of inventory should be marked down below original costs, we use estimates to determine the lower of cost or net realizable value, which considers current and anticipated demand, client preference and merchandise age.

Reserves for shrinkage are estimated and recorded throughout the period as a percentage of current merchandise inventory levels and historical shrinkage results. Actual shrinkage is recorded throughout the year based upon periodic cycle counts and the results of the Company's annual physical inventory counts. Merchandise inventory includes reserves of $2.7 million and $2.3 million at December 31, 2020 and 2019, respectively.

Prepaid and Other Current Assets

Prepaid and other current assets include cash advanced by the Company for leasehold improvements at new (or existing, in some cases) Showroom locations. These amounts represent capital costs associated with opening new Showroom locations, a substantial portion of which is subject to recovery from the lessor upon completion. The amount to be recovered totaled $10.2 million and $6.3 million at December 31, 2020 and 2019, respectively.

Advertising Costs

Except for costs associated with the semi-annual catalogs, the Company expenses advertising costs as incurred because data is limited and not conclusive in justifying the capitalization of such expenses for future benefit. Advertising costs amounted to $24.4 million and $23.4 million, respectively, for the years ended December 31, 2020 and 2019, respectively, and are included within the selling, general and administrative expenses line item on the consolidated statements of comprehensive income. Expense associated with the catalogs are recognized upon the delivery of the catalogs to the carrier.

Property, Furniture and Equipment

Property, furniture and equipment is stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method generally using the following useful lives:

Asset class/ type	Useful Life-Years
Leased property under capital lease	Term of the underlying lease
Leasehold improvements	Lesser of 10 years or lease term
Landlord improvements	Lesser of 10 years or lease term
Furniture and fixtures	3 to 5 years
Computer and equipment	3 to 10 years
Vehicles	5 to 10 years

Depreciation and amortization expense was $17.0 million and $16.0 million for the years ended 2020 and 2019, respectively.

Capitalized software costs relate to third-party developed software and are amortized on a straight-line basis over the estimated useful lives of the software, generally between three and ten years.

Property, furniture and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. For further discussion regarding the impairment accounting policy refer to “Long-Lived Assets.”

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets and liabilities acquired in a business combination. The Company operates as one segment and has a single reporting unit, Arhaus Consolidated. For the purposes of goodwill impairment testing, a reporting unit is defined as an operating segment or one level below an operating segment (referred to as a component) for which discrete financial information is available.

We test goodwill for impairment on an annual basis in the fourth quarter of each fiscal year, and more frequently if events or changes in circumstances indicate that it might be impaired. Circumstances that may indicate impairment include, but are not limited to, deterioration in general economic conditions, limitations on accessing capital, or other developments in equity and credit markets; industry and market considerations such as deterioration in the environment in which the Company operates, an increased competitive environment, a decline in market dependent multiples or metrics, a change in the market for the Company’s merchandise or services, or a regulatory or political development; cost factors that have a negative effect on earnings and cash flows; overall financial performance; changes in management, key personnel, strategy, or clients; a sustained decrease in share price in either absolute terms or relative to peers.

Under U.S. GAAP, we have the option to first assess qualitative factors in order to determine if it is more likely than not that the fair value of our reporting unit is greater than its carrying value (“Step 0”). The term more likely than not refers to a level of likelihood that is more than 50 percent. If the qualitative assessment leads to a determination that the reporting unit’s fair value is less than its carrying value, or if we elect to bypass the qualitative assessment altogether, we are required to perform a quantitative impairment test (“Step 1”) by

calculating the fair value of the reporting unit and comparing the fair value with its associated carrying value. We will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

We determine fair values using a combination of the discounted cash flow approach ("income approach") and the guideline public company method ("market approach"), based upon the relevance and availability of the data at the time we perform the valuation. If multiple valuation methodologies are used, the results are weighted appropriately.

Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for the reporting unit. Actual results may differ from those assumed in our forecasts. We derive our discount rate based on our weighted average cost of capital determined by using a combination of the capital asset pricing model, the cost of debt and an appropriate industry capital structure. We use a discount rate that is commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Valuations using the market approach are derived from metrics of publicly traded companies that are deemed sufficiently similar to the Company. Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. It is reasonably possible that the judgments and estimates described above could change in future periods.

Long-Lived Assets

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. Circumstances that may indicate impairment include, but are not limited to, a significant decrease in the market price of a long-lived asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group; a current-period operating, or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. An asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets, which for our Showrooms is the individual Showroom level.

In those circumstances, the Company performs an undiscounted cash flow analysis to determine if an impairment exists. If the sum of the estimated undiscounted future cash flows over the remaining life of the asset are less than the carrying value, the Company will recognize an impairment charge equal to the difference between the carrying value and the fair value, usually determined by the estimated discounted future cash flows associated with the asset.

Based on management's analysis there were no events or circumstances identified during 2020 or 2019, indicating a potential impairment of any long-lived assets.

Deferred Rent and Lease Incentives

For leases that contain fixed escalations of the minimum annual lease payment during the original term of the lease, the Company recognizes rental expense on a straight-line basis over the lease term and records the difference between rent expense and the amount currently payable as deferred rent. The Company records rental expense during the construction period, as the expected lease term begins the date the Company takes possession for construction or other purposes. Deferred lease incentives include construction allowances received from landlords, which are amortized on a straight-line basis over the initial lease term, including the construction period.

Merchandise Warranties

The Company warrants its certain merchandise to be free of defects in both construction materials and workmanship from the date the performance obligation was fulfilled to the client for three to ten years depending on the merchandise category. The Company accounts for merchandise warranties by accruing an estimated liability when we recognize revenue on the sale of warrantied merchandise. We estimate future warranty claims based on claim experience which includes materials and labor costs to perform the repairs. We use judgment in making our estimates. We record differences between our estimated and actual costs when the differences are known.

A reconciliation of the changes in our limited merchandise warranty liability is as follows (amounts in thousands):

	2020	2019
Balance as of beginning of year	$ 3,164	$ 2,789
Accruals during the year	4,548	5,925
Settlements during the year	(4,386)	(5,550)
Balance as of end of the year	$ 3,326	$ 3,164

We recorded accruals during the periods presented in the table above, primarily to reflect charges that relate to warranties issued during the respective periods.

Income Taxes

As a Limited Liability Company under the Internal Revenue Code that has elected to be taxed as a partnership, Arhaus does not pay federal or most state corporate income taxes on its taxable income, but rather its members are liable for their respective portions of the taxable income (loss) of Arhaus. Therefore, no provision for federal income taxes are included in these consolidated financial statements. Arhaus is responsible for certain state and local income taxes.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At December 31, 2020 and 2019, the Company assessed its income tax positions and concluded that it had no unrecognized tax benefits.

The Company is subject to state and local income tax examinations by tax authorities. With few exceptions, the Company is no longer subject to state and local tax examinations for the years before 2016.

The Company recognizes interest and penalties related to uncertain tax positions in interest expense. No such interest and penalties were recorded in 2020 and 2019.

Cost of Goods Sold

Cost of goods sold includes, but is not limited to, the direct cost of purchased merchandise, inventory shrinkage, inbound freight, design and buying costs, credit card fees, occupancy costs related to Showroom operations and supply chain, such as rent, property tax and common area maintenance, depreciation and amortization, sourcing related costs, and all logistics costs associated with shipping merchandise to clients.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include all operating costs not included in cost of goods sold. These expenses include payroll and payroll related expenses, Showroom expenses other than occupancy and expenses related to many of our operations at our corporate headquarters, including utilities, depreciation and amortization and marketing expense, which primarily includes catalog production, mailing and print advertising costs. Payroll includes both fixed compensation and variable compensation. Variable compensation includes commissions and bonus compensation related to demand. Variable compensation is primarily received by Showroom employees, and is not significant in our eCommerce channel.

Loyalty Reward Program

In January of 2019, the Company established a loyalty reward program whereby clients that use the Company's private label credit card to purchase merchandise receive rewards based on the client's purchases. The liabilities associated with the rewards are established on the consolidated balance sheets when the rewards are issued and are removed from the consolidated balance sheets either when used by the client or upon expiration (3 months from when the reward is issued). At December 31, 2020 and 2019, outstanding liabilities related to the loyalty program were $0.9 million and $0.7 million, respectively, and are included within the accrued other expenses line item of the consolidated balance sheets. The Company recognizes expense upon the redemption of the loyalty reward.

Gift Cards

The Company sells gift cards to our clients in our Showrooms and through our website. Such gift cards do not have expirations dates. We defer revenue when payments are received in advance of performance for unsatisfied obligations related to our gift cards. The liability related to unredeemed gift cards of $0.8 million and $0.8 million is recorded in the accrued other expenses line item of the consolidated balance sheets at December 31, 2020 and 2019, respectively. The Company recognizes income associated with breakage proportional to actual gift card redemptions.

Self-Insurance

We maintain insurance coverage for significant exposures as well as those risks that, by law, must be insured. In the case of health care coverage for employees, we have a managed self-insurance program related to claims filed. Expenses related to this self-insured program are computed on an actuarial basis, based on claims

experience, regulatory requirements, an estimate of claims incurred but not yet reported ("IBNR") and other relevant factors. The projections involved in this process are subject to uncertainty related to the timing and number of claims filed, levels of IBNR, fluctuations in health care costs and changes to regulatory requirements. We had liabilities of $0.6 million and $0.5 million as of December 31, 2020 and 2019, respectively, recorded in the accrued other expenses line item of the consolidated balance sheets.

We carry workers' compensation insurance subject to a deductible amount for which we are responsible on each claim. We had liabilities related to workers' compensation claims of $0.4 million and $0.5 million as of December 31, 2020 and 2019, respectively, is recorded in the accrued taxes line item of the consolidated balance sheets.

Credit Risk and Concentration Risk

Approximately 25% and 23% of the Company's merchandise were purchased from one vendor during 2020 and 2019, respectively.

Fair Values of Financial Instruments

The Company's primary financial instruments are accounts receivable, payables, debt instruments, lease obligations, derivatives, and incentive unit compensation instruments. Due to the short-term maturities of accounts receivable and payables, the Company believes the fair values of these instruments approximate their respective carrying values at December 31, 2020 and 2019. Primarily as a result of the variable rate nature of the majority of the Company's debt instruments, management believes that the fair values of the debt instruments approximate their respective carrying values at December 31, 2020 and 2019. The fair value utilized to determine the fair value utilized for goodwill impairment, was determined based on unobservable (Level 3) inputs and valuation techniques. See Note 5 for discussion of our derivative, Note 6 for discussion of our lease obligations and Note 9 for discussion of our incentive unit compensation instruments.

The Company has established a hierarchy to measure our financial instruments at fair value, which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect the Company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. The hierarchy defines three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets for identical, unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3 Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

Deferred Financing Fees

The debt discount and debt issuance costs were recorded as part of the establishment of the Company's financing arrangements (see Note 5). The debt discount was netted against long-term debt and debt issuance costs

were recorded within the other noncurrent assets line item on the consolidated balance sheets. Both the debt discount and debt issuance costs were amortized as interest expense over the contractual life of the debt structure using the straight-line method, which approximates the effective interest rate method.

Incentive Unit Compensation

The Company computes costs arising from the granting of incentive units to employees at fair value and recognizes such costs as expense over the period during which the units vest. The Company uses the Black-Scholes valuation model which requires the input of assumptions regarding the expected term, expected volatility, dividend yield and risk-free interest rate to estimate the fair value of its incentive units. The Company accounts for forfeitures as they occur. See Note 9 for further discussion of the Company's incentive unit arrangements.

New Accounting Standard or Updates Adopted

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The standard is effective for the Company for interim and annual reporting periods beginning after December 15, 2022; early adoption is permitted. The Company adopted the standard effective January 1, 2020, with no impact to our financial statements.

New Accounting Standards or Updates Not Yet Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheets. While it will still be necessary for lessees to distinguish between "operating" and "financing" (formerly known as "capital") leases, and for lessors to distinguish between sales-type, direct financing, and operating leases, these distinctions will primarily affect how a lessee or lessor must recognize expense or income, respectively, in its income statement. The new guidance is effective for financial statements issued for annual periods beginning after December 15, 2021. Early adoption is permitted. The adoption of this ASU will result in a material increase on the Company's consolidated balance sheets for lease liabilities and right-of-use assets. While the company is continuing to evaluate all potential impacts of the standard, the Company does not expect adoption to have a material impact on the Company's consolidated net earnings or cash flows. The Company plans to adopt ASU 2016-02 in 2022.

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements". The amendments in this Update represent changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice. The amendments in this Update affect a wide variety of Topics in the Codification and apply to all reporting entities within the scope of the affected accounting guidance. ASU 2020-10 is effective for annual periods beginning after December 15, 2021 for non-public business entities. Early application is permitted. The amendments in this Update should be applied retrospectively. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

3. Property, Furniture and Equipment

Property, furniture and equipment consists of the following (amounts in thousands):

	2020	2019
Leased property under capital lease	$ 45,205	$ 45,205
Leasehold improvements	39,704	39,341
Landlord improvements	126,245	113,499
Furniture and fixtures	4,598	5,210
Computer and equipment	17,965	16,229
Vehicles	78	78
Construction in process	638	518
	234,433	220,080
Less: Accumulated depreciation	(46,759)	(41,221)
Less: Landlord improvement accumulated depreciation	(69,978)	(62,406)
Property, furniture and equipment, net	$117,696	$116,453

4. Goodwill

During 2020 and 2019, we reviewed Arhaus Consolidated, our one reporting unit's goodwill for impairment by performing a quantitative assessment to determine whether the carrying amount of the reporting unit exceeded its fair value. Based on the quantitative tests performed, we determined the fair value of the reporting unit was not less than its carrying amount for 2020 and 2019, and therefore we did not recognize goodwill impairment in any such year.

During the year ended December 31, 2020 and 2019, there was no change in the recorded goodwill balances and we have not recorded any historical goodwill impairments.

5. Long-Term Debt

At December 31, 2019, the Company's debt structure ("Prior Credit Facilities") included a revolving credit facility of $30.0 million (the "Prior Revolver") with availability limited pursuant to a borrowing base formula based on specified percentages of eligible inventories and accounts receivable. At December 31, 2019, the capacity on the Prior Revolver was $30.0 million based on the borrowing base formula.

The Company had the option, subject to terms and conditions, to borrow on the Prior Revolver by means of any combination of Base Rate Loans or LIBOR Loans. The Company's borrowings under the Prior Revolver bore variable interest rates for Base Rate Loans of the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate, (c) the LIBOR Rate plus 1%, and (d) 4.00% and at LIBOR loans at the LIBOR rate ("LIBOR") plus the applicable margin (6.25% at December 31, 2019). The Prior Revolver carried a non-use fee of 0.50% per annum at December 31, 2019. Loan costs related to the Prior Revolver were recorded in other noncurrent assets and were amortized over the term of the debt on a straight-line basis. Amortization expense was $0.2 million and $0.5 million during 2020 and 2019, respectively, and included in interest expense within the consolidated statements of comprehensive income. The unamortized balance of these loan costs of $0.6 million as of June 25, 2020 were written off to interest expense within the consolidated statements of comprehensive income, as the Company entered in a credit agreement with new lenders.

ARHAUS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

The new credit agreement ("Revolver") entered into on June 25, 2020, includes a revolving credit facility of $30.0 million with availability limited pursuant to a borrowing base formulated based on specified percentages of eligible inventory, net of reserves. The Company's borrowings under the Revolver bears variable interest rates at the LIBOR index rate ("LIBOR") plus the applicable margin (5.5% at December 31, 2020). In the event the LIBOR index rate ceases to be available during the term of the Revolver, the Revolver provides procedures to determine an Alternate Base Rate.

At December 31, 2020, the availability on the Revolver was $3.1 million based on the borrowing base formula. The Company has the option, subject to terms and conditions, to borrow on the Revolver by means of LIBOR loans. The Revolver has certain financial covenants, including a minimum fixed charge ratio and minimum EBITDA requirements. The Revolver carries a non-use fee of 0.50% per annum at December 31, 2020. Loans costs related to the Revolver of $1.5 million are recorded in other noncurrent assets on the consolidated balance sheets and will be amortized over the term of the debt on a straight-line basis. Amortization expense was $0.2 million during 2020 and is included in interest expense within the consolidated statements of comprehensive income. The Revolver expires on June 25, 2023.

The Prior Credit Facilities also included a term loan of $40.0 million (the "Term Loan"). The Term Loan bore interest at a rate equal to 16.0% per annum, of which 12.0% per annum was to be paid in cash and 4.0% per annum was to be paid in kind by capitalizing such amount and adding it to the principal amount of the loan each quarter. The Company was required to make a prepayment on the Term Loan in an amount not less than 50 percent of the Company's Excess Cash Flow, as defined, on or before May 15th of the year following such fiscal year. At December 31, 2019, the calculated mandatory prepayment of $11.2 million was classified within the current portion of long-term debt on the consolidated balance sheets. Other than the mandatory Excess Cash Flow payments, as defined, which were calculated at the end of each fiscal year, the Term Loan had no required periodic principal payments during the term. The Term Loan facility permitted early principal payments subject to a 1.0% prepayment premium through December 26, 2020, and none thereafter. The Term Loan was paid in full on December 28, 2020.

The Company's long-term debt consists of the following at December 31, 2019 (amounts in thousands):

	2019		
	Principal Balance	Unamortized Deferred Financing Costs	Net Carrying Amount
Revolver	$ 4,000	$ —	$ 4,000
Term loan	31,942	(2,619)	29,323
Payment-in-kind accrued interest	4,059	—	4,059
	40,001	(2,619)	37,382
Less: Current portion	(15,220)	—	(15,220)
	$ 24,781	$ (2,619)	$ 22,162

The Prior Credit Facilities were collateralized by substantially all assets of the Company. The Term Loan required the maintenance of certain financial covenants, including a minimum fixed charge coverage ratio of 1.00, and a restriction on unfunded capital expenditures. The Prior Credit Facilities allowed for the Company to make distributions to members for income tax payment purposes, but no other member distributions were permitted.

The Company was in compliance with all covenants at December 31, 2020 and 2019, and expects to remain in compliance over the next 12 months.

Financing costs related to the Term Loan were amortized over the term of the Term Loan, on a straight-line basis, which approximated effective interest method. Amortization expense was $0.6 million and $0.6 million during 2020 and 2019, respectively, and is included in interest expense within the consolidated statements of comprehensive income. On December 28, 2020, in connection with the repayment of the Term Loan, the unamortized balance of these financing costs of $0.7 million was expensed to interest expense.

The Term Loan had an exit fee clause which allowed the holder of the Term Loan to receive either $3.0 million upon repayment of the Term Loan or a payout equivalent to 4.0% of the total equity value of the Company. The 4.0% of the total equity value of the Company payout is payable upon a change of control, qualified initial public offering or sale of all or substantially all assets of the Company. In connection with the repayment of the Term Loan on December 28, 2020, the holder informed the Company they would decline the option to receive the $3.0 million and elect to receive a payout equivalent to 4.0% of the equity value of the Company. The exit fee is treated as a derivative and adjusted to fair value each reporting period. The Company recorded a liability of $19.6 million and $3.0 million at December 31, 2020 and 2019, respectively, related to the derivative and is classified within other long-term liabilities on the consolidated balance sheets.

The Company uses a discounted cash flow method and guideline public company method to determine the fair value of equity which is used to calculate the fair value of the exit fee each reporting period. The key assumptions used within the valuation methods are as follows:

Term	10.0 years
Risk-free rate of return	0.90%
Volatility	40.00%
Dividend yield	0%

The assumed volatility assumption is based on that of an identified group of comparable public companies. The fair value of the exit fee has been determined utilizing unobservable inputs and therefore are Level 3 measurements under the fair value hierarchy.

6. Leases

The Company leases real estate and equipment under operating leases, some of which are from related parties. The most significant obligations under these lease agreements require the payments of periodic rentals, real estate taxes, insurance and maintenance costs. Rent expense for 2020 and 2019, was $58.6 million and $57.3 million, respectively. Amortization of landlord improvements for 2020 and 2019, was $10.4 million and $8.7 million, respectively. Depending on particular Showroom leases, the Company can also owe a percentage rent payment if particular Showrooms meet certain sales figures. Percentage rent expense for 2020 and 2019, was $1.0 million and $1.5 million, respectively.

Future minimum rental payments required under operating leases with initial or remaining noncancelable lease terms in excess of one year at December 31, 2020, are as follows (amounts in thousands):

Year Ending December 31,	Third Party	Related Party	Total
2021	$ 42,696	$ 1,599	$ 44,295
2022	39,615	1,599	41,214
2023	35,299	1,599	36,898
2024	31,349	693	32,042
2025	25,934	180	26,114
Thereafter	84,810	—	84,810
	$ 259,703	$ 5,670	$265,373

In September 2014, the Company entered into a lease agreement with a related party on a triple net basis of a headquarters building and distribution center, with construction completed during 2016. The base lease term is 17-years, with a 10-year renewal option at fixed rental payments, and with two additional 5-year renewal options at the fair market rental payments. The monthly rental payments range from $0.2 million to $0.5 million during the 17-year base lease term and from $0.5 million to $0.6 million during the 10-year renewal period. The Company has concluded that the lease is a capital lease. The capital lease obligation and related asset were valued at $45 million and were recorded in 2016 when the Company took control of the property. Accumulated amortization was $5.3 million and $4.2 million at December 31, 2020 and 2019, respectively.

The following is a schedule, by year, of future minimum lease payments at December 31, 2020, for the capital lease related to the Company's corporate headquarters and distribution center, are as follows (amounts in thousands):

Year Ending December 31,	
2021	$ 4,649
2022	4,649
2023	4,649
2024	4,649
2025	4,649
Thereafter	102,346
	125,591
Less: Amounts representing interest	(78,119)
	$ 47,472

The Company has received certain rent abatements and has scheduled rent increases under various real estate leases. The consolidated statements of comprehensive income reflects rent expense on a straight-line basis over the terms of the respective leases. A deferred rental obligation of $71.2 million and $64.5 million related to the lease incentives and the straight-line rent expense is reflected in the consolidated balance sheets at December 31, 2020 and 2019, respectively, in the deferred rent and lease incentives line item.

7. Employee Benefit Plans

The Company has a defined contribution retirement savings plan covering substantially all employees. The Company may contribute a discretionary matching contribution equal to a percentage that the Company

deems advisable. Total expenses recorded in selling, general and administrative expenses on the consolidated statements of comprehensive income related to the plan were $0.5 million and $1.1 million for 2020 and 2019, respectively.

8. Members' Deficit

At December 31, 2013, Arhaus had 20,938,265 Class A member units and 7,488,248 Class B member units authorized, issued and outstanding. Per the limited liability company operating agreement in existence at December 31, 2013, all Company decisions and actions were to be decided by Holdings in its sole discretion.

In connection with Holdings' sale of all Class B units to a private equity investor in January 2014, the members of Arhaus amended and restated the LLC operating agreement. The restated LLC operating agreement (the "2014 Operating Agreement") authorized a total of 32,213,730 units for issuance, consisting of 20,938,265 Class A units, 7,488,248 Class B units, 3,197,909 Class C units, 481,590 Class D units and 107,718 Class E units. In May 2015, the Company approved the increase of Class D units authorized for issuance to 1,500,000.

In September 2016, the members of the Company amended and restated the 2014 Operating Agreement. The amended and restated agreement (the "2016 Operating Agreement"), among others things, eliminated Class E units, and added Class 1 and Class 2 Percentage Units.

The Class C, D, E, and Percentage Units were incentive units to be issued to employees, directors, and others pursuant to the terms of the Arhaus, LLC 2014 Equity Plan, and have no voting rights and do not participate in profits or losses.

In connection with the issuance of the Prior Credit Facilities discussed in Note 5, the Class A and Class B unit equity holders made an aggregate $25.0 million capital contribution to the Company in exchange for 1,250,000 Class A Preferred units and 1,250,000 Class B Preferred Units, respectively (collectively, the "Preferred Units"). The Preferred Units were issued pursuant to the Third Amended and Restated Limited Liability Company Agreement of the Company dated June 26, 2017 (the "2017 LLC Agreement"), and accrue a 16% per annum (compounded annually) preferred return. The Preferred Units have no voting rights and do not participate in profits or losses. Preferred Unit holders are entitled to receive distributions in excess of tax distributions to Class A and B members in proportion to the accrued and unpaid preferred return and unreturned capital contributions. Further, preferred unit holders are entitled to receive proceeds upon a capital transaction before other unit holders in proportion to the accrued and unpaid preferred return and unreturned capital contributions. The Company can redeem the Preferred Units at our discretion, however, because the Preferred Unit holders control the Board and could force the Company to redeem the Preferred Units they are recorded as mezzanine equity.

The accumulated 16% preferred return was $11.4 million at December 31, 2019. On December 29, 2020, the Preferred Units were repaid in full, with the preferred return dividend payments of $17.1 million.

Among other things, the 2017 LLC Agreement authorized the Company to issue up to 20,938,265 Class A Units, 7,488,248 Class B Units, 3,185,435 Class C Units, 285,387 Class D Units, 3,158,501 Class F Units, 3,158,501 Class F-1 Units, 1,250,000 Class A Preferred Units, 1,250,000 Class B Preferred Units, one Class 1 Percentage Unit, and one Class 2 Percentage Unit. Only the Class A and Class B Units have voting rights. Distributions are payable to the various unit classes only upon the occurrence of certain capital events, based upon participation thresholds and waterfalls as defined within the 2017 LLC Agreement.

If Class B Units or Class B Preferred Units remain outstanding on January 6, 2023, the holder of those units, as defined, shall have the right to cause a sale of the Company. Income and loss of the Company is allocated 75% to the Class A Units and 25% to the Class B Units.

The Company may make quarterly tax distributions to the Class A and B members pro rata based on the taxable income allocated to such members in an amount equal to the product of each member's distributive share of the Company's taxable income relating to each fiscal quarter (as estimated by the Board based on the results of the quarter), including any guaranteed payments, and the assumed tax rate.

9. Incentive Unit Compensation Arrangements

In January 2014, the Arhaus, LLC 2014 Equity Plan (the "Plan") was established which allowed for the granting of Class C and D incentive units to employees. In June of 2017, the Board adopted the Arhaus, LLC 2017 Equity Plan, which allowed for the granting of Class F/F-1 incentive units to employees.

The Incentive Units represent interests that share only in proceeds from defined capital transactions above specified participation thresholds. The units vest over three to five years, and become fully vested in the event of a change in control, death or disability, as long as the holder of the unit is employed by the Company on the date of such events. The holders of the Incentive Units do not share in distributions of operating cash flow. Upon the holder's termination of employment, all unvested units are forfeited, and the Company has the right to purchase all vested units at a per unit price equal to the fair market value of a unit determined at the date such right is exercised as determined by an independent appraisal firm to be mutually agreed to by the Company and the unit holder; provided however, all vested and unvested units are forfeited without compensation in the event of termination for cause.

The Class C, D and F/F-1 units time vest and are accounted for as equity awards in which the fair value of the award is determined at the grant-date. The Company has recorded incentive unit compensation expense of $0.4 million and $0.3 million at December 31, 2020 and 2019, respectively, within the selling, general and administrative expenses line item of the consolidated statements of comprehensive income. Total unrecognized compensation cost for the Class C and F/F-1 units to be recognized in future periods was $0.7 million at December 31, 2020, and will be recognized over a weighted average period of 2.97 years. The total grant-date fair value of units vested during the years ended December 31, 2020 and 2019, was $0.4 million and $0.3 million, respectively.

Incentive Unit activity during 2020 and 2019, is as follows:

	Class C		Class D		Class F/F-1	
	Units	Weighted Average Grant Date Fair Value		Weighted Average Grant Date Fair Value		Weighted Average Grant Date Fair Value (1)
Year Ending 2018	1,868,913	$ 0.57	96,318	$ 0.83	4,567,202	$ 0.36
Granted	—		—		856,854	1.92
Forfeited	—		—		(439,666)	0.36
Year Ending 2019	1,868,913	0.57	96,318	0.83	4,984,390	0.63
Purchased	—		—		(36,638)	0.36
Forfeited	—		—		(566,722)	0.61
Year Ending 2020	1,868,913	$ 0.57	96,318	$ 0.83	4,381,030	$ 0.63

(1) —For each Class F Unit a corresponding Class F-1 Unit is authorized, issued and outstanding. The Class F Units and Class F-1 Units are aggregated for purposes of valuation.

Vested Incentive Units as of December 31, 2020 and 2019, are as follows:

	Class C	Class D	Class F/F-1
December 31, 2020	1,653,476	96,318	2,167,547
December 31, 2019	1,438,039	96,318	1,229,291

The grant-date fair value of the Class C, D and F/F-1 units is determined through use of the Black-Scholes option pricing model. The key assumptions used for the January 31, 2019 and September 30, 2019 Class F/F-1 units grants within the Black-Scholes model were as follows:

	September 30, 2019	January 31, 2019
Term	5.0 years	5.0 years
Risk-free rate of return	1.90%	2.60%
Volatility	36.10%	73.40%
Dividend yield	0%	0%

The expected term represents our expected time until a liquidity event as of the valuation date. The assumed volatility assumption is based on that of an identified group of comparable public companies over a similar term. The risk-free rate of return is based on the yields of U.S. Treasury securities with maturities similar to the expected term. We used an expected divided yield of zero, as we did not plan to pay cash dividends for the foreseeable future.

The fair values of each class of units have been determined utilizing unobservable inputs, and therefore are Level 3 measurements under the fair value hierarchy.

Additionally, a probability distribution of possible future equity values is completed and incorporated into the calculation of respective unit fair values. This is necessary as upon the occurrence of a liquidity event in the future, the proceeds thereof will be allocated in accordance with the distribution waterfall defined within the 2017 LLC Agreement.

10. Segment Reporting

Our chief operating decision maker (“CODM”) is our Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making decisions, assessing financial performance and allocating resources. We operate our business as one operating segment and therefore we have one reportable segment that offers an assortment of merchandise across a number of categories, including furniture, lighting, textiles, décor, and outdoor. The assortment of merchandise can be purchased through our Showroom and eCommerce sales channels.

The majority of our revenue is generated through sales to clients in the United States. Sales to clients outside of the United states are not significant. Further, no single client represents more than ten percent or more of our net revenue.

The following table shows revenue by merchandise sales channel (amounts in thousands):

	2020	2019
Retail	$417,426	$439,660
eCommerce	90,003	54,878
Total Net revenue	$507,429	$494,538

11. Net and comprehensive income per unit

Basic and diluted net and comprehensive income per unit for the years ended December 31, 2020 and 2019, was calculated by adjusting net and comprehensive income attributable to Arhaus, LLC for preferred dividends, and dividing by basic and diluted weighted-average number of common units outstanding (amounts in thousands except unit and per unit data).

	2020	2019
Numerator		
Net and comprehensive income	$ 17,837	$ 16,632
Less: Preferred units dividend	5,693	5,022
Net and comprehensive income attributable to the unit holders	$ 12,144	$ 11,610
Denominator—Basic and Diluted		
Weighted-average number of common units outstanding	28,426,513	28,426,513
Net and comprehensive income per unit, basic and diluted	$ 0.43	$ 0.41

12. Commitments and Contingencies

The Company is involved in litigation and claims that are incidental to its business. Although the outcome of these matters cannot be determined at the present time, management of the Company believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

13. Related Party Transactions

For the Company's discussion of related party transactions see Notes 6 and 14.

14. Subsequent Events

The Company has evaluated its consolidated financial statements for subsequent events through July 30, 2021, the date the financial statements were available to be issued. In March 2021, the Company entered into a lease agreement with a related party for a distribution center and manufacturing building, with construction expected to be completed in the fourth quarter of 2021. The base lease term is for 12-years, with a 10-year renewal option and two additional 5-year renewal options at the higher of the minimum base rent or the fair market rent at the time of the renewal is executed. The monthly rental payments range from $0.2 million to $0.3 million during the 12-year base lease term and from $0.4 million to $0.5 million during the 10-year renewal period. The Company has not concluded on the lease classification at this time. No other subsequent events were noted.

ARHAUS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, amounts in thousands)

	June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$132,945	$ 50,739
Restricted cash equivalents	6,219	6,909
Accounts receivable, net	468	600
Merchandise inventory, net	136,099	108,022
Prepaid and other current assets	15,521	19,733
Total current assets	291,252	186,003
Property, furniture and equipment, net	123,554	117,696
Goodwill	10,961	10,961
Other noncurrent assets, net	1,018	1,284
Total assets	$426,785	$ 315,944
Liabilities and Members' Deficit		
Current liabilities		
Current portion of capital lease obligation	231	—
Accounts payable	29,970	29,113
Accrued taxes	8,869	7,910
Accrued wages	10,546	9,660
Accrued other expenses	13,312	11,317
Client deposits	226,244	154,128
Total current liabilities	289,172	212,128
Capital lease obligation, net of current portion	47,801	47,600
Deferred rent and lease incentives	73,676	71,213
Other long-term liabilities	51,076	21,094
Total liabilities	461,725	352,035
Commitments and contingencies (Note 10)		
Members' deficit		
Accumulated Deficit	(37,037)	(37,761)
Additional Paid-in Capital	2,097	1,670
Total members' deficit	(34,940)	(36,091)
Total liabilities and members' deficit	$426,785	$ 315,944

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ARHAUS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, amounts in thousands, except unit and per unit data)

	Six Months Ended June 30,	
	2021	2020
Net revenue	$ 355,357	$ 224,105
Cost of goods sold	207,188	139,528
Gross margin	148,169	84,577
Selling, general and administrative expenses	128,075	64,158
Income from operations	20,094	20,419
Interest expense	2,679	6,601
Loss on disposal of assets	14	—
Income before taxes	17,401	13,818
State and local taxes	1,204	169
Net and comprehensive income	$ 16,197	$ 13,649
Net and comprehensive income attributable to the unit holders	$ 16,197	$ 10,744
Net and comprehensive income per unit		
Basic and diluted	$ 0.57	$ 0.38
Weighted-average number of units		
Basic and diluted	28,426,513	28,426,513

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ARHAUS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND MEMBERS' DEFICIT
(Unaudited, amounts in thousands)

	Mezzanine Equity				Members' Deficit						
	Class A Preferred		Class B Preferred		Class A		Class B				
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Accumulated Deficit	Additional Paid-in Capital	Total Members' Deficit
Balances as of December 31, 2020	—	$ —	—	$ —	20,939	$ —	7,488	$ —	$ (37,761)	$ 1,670	$ (36,091)
Net income	—	—	—	—	—	—	—	—	16,197	—	16,197
Tax distribution	—	—	—	—	—	—	—	—	(15,473)	—	(15,473)
Incentive unit compensation	—	—	—	—	—	—	—	—	—	427	427
Balances as of June 30, 2021	—	$ —	—	$ —	20,939	$ —	7,488	$ —	$ (37,037)	$ 2,097	$ (34,940)

	Mezzanine Equity				Members' Deficit						
	Class A Preferred		Class B Preferred		Class A		Class B				
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Accumulated Deficit	Additional Paid-in Capital	Total Members' Deficit
Balances as of December 31, 2019	1,250	$ 18,206	1,250	$ 18,206	20,939	$ —	7,488	$ —	$ (34,747)	$ 1,367	$ (33,380)
Net income	—	—	—	—	—	—	—	—	13,649	—	13,649
Preferred units dividend unpaid	—	1,453	—	1,452	—	—	—	—	(2,905)	—	(2,905)
Incentive unit compensation	—	—	—	—	—	—	—	—	—	156	156
Repurchase of incentive units	—	—	—	—	—	—	—	—	—	(6)	(6)
Balances as of June 30, 2020	1,250	$ 19,659	1,250	$ 19,658	20,939	$ —	7,488	$ —	$ (24,003)	$ 1,517	$ (22,486)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ARHAUS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, amounts in thousands)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities		
Net income	$ 16,197	$ 13,649
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	8,909	8,438
Amortization of deferred financing fees, payment-in-kind interest and interest on capital lease in excess of principal paid	825	2,057
Incentive unit compensation expense	427	250
Derivative expense	29,805	333
Loss on disposal of property, furniture and equipment	14	—
Amortization and write-off of lease incentives	(3,801)	(4,147)
Changes in operating assets and liabilities		
Accounts receivable	132	393
Merchandise inventory	(28,077)	13,635
Prepaid and other current assets	4,212	1,005
Other noncurrent assets	—	(1,091)
Other noncurrent liabilities	177	(64)
Accounts payable	616	917
Accrued expenses	3,840	171
Deferred rent and lease incentives	5,415	13,862
Client deposits	72,116	13,137
Net cash provided by operating activities	110,807	62,545
Cash flows from investing activities		
Purchases of property, furniture and equipment	(13,691)	(10,145)
Net cash used in investing activities	(13,691)	(10,145)
Cash flows from financing activities		
Proceeds from revolving debt	—	20,500
Payments on revolving debt	—	(9,500)
Payments on long-term debt	—	(11,220)
Repurchase of incentive units	—	(100)
Principal payments under capital leases	(127)	—
Distributions to owners	(15,473)	—
Net cash used in financing activities	(15,600)	(320)
Net increase in cash, cash equivalents and restricted cash equivalents	81,516	52,080
Cash, cash equivalents and restricted cash equivalents		
Beginning of period	57,648	18,559
End of period	$139,164	$ 70,639
Supplemental disclosure of cash flow information		
Interest paid in cash	$ 2,670	$ 4,333
Income taxes paid in cash	$ 1,217	$ 331
Noncash operating activities:		
Lease incentives	$ 665	$ 1,053
Noncash investing activities:		
Purchase of property, furniture and equipment in accounts payable.	$ 241	$ (165)
Noncash financing activities:		
Dividends—unpaid	$ —	$ 2,905

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ARHAUS, LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Business and Basis of Presentation

Nature of Business

Arhaus, LLC (the "Company", "we" or "Arhaus") is a Delaware limited liability company and is a premium retailer in the home furnishings market, specializing in livable luxury supported by heirloom quality merchandise. Our curated assortments are presented across our sales channels in sophisticated, family friendly and unique lifestyle settings. We offer merchandise assortments across a number of categories, including furniture, lighting, textiles, décor, and outdoor. We position our retail locations as Showrooms for our brand, while our website acts as a virtual extension of our Showrooms. The Company operated 75 Showrooms as of June 30, 2021.

At June 30, 2021 and December 31, 2020, all of the Company's Class A units are owned by Homeworks Holdings Inc ("Holdings") and John Reed ("Reed") through the John P Reed Trust dated April 29, 1985, as Amended ("Reed Revocable Trust"). All shares of Holdings are owned by the Reed Revocable Trust and related party trusts of Reed. All of the Company's Class B units are owned by a private equity investor.

Effects of COVID-19 on Our Business

The COVID-19 outbreak in the first quarter of fiscal year 2020 caused disruption to our business operations. In our initial response to the COVID-19 health crisis, we undertook immediate adjustments to our business operations including temporarily closing all of our retail locations, furloughing employees, minimizing expenses and delaying investments, including pausing some inventory orders while we assessed the status of our business. Our approach to the crisis evolved quickly as our business trends substantially improved during the second through fourth quarters of fiscal year 2020 as a result of both the reopening of our Showrooms and also strong consumer demand for our products. We had reopened all of our Showrooms and Outlet stores by June 30, 2020, although currently many of our Showrooms and Outlets continue to conduct business with occupancy limitations and other operational restrictions. As of June 30, 2021, substantially all of our employees were back to work.

While we have continued to serve our clients and operate our business through the ongoing COVID-19 health crisis, there can be no assurance that future events will not have an impact on our business, results of operations or financial condition since the extent and duration of the health crisis remains uncertain. Future adverse developments in connection with the COVID-19 crisis, including additional waves or resurgences of COVID-19 outbreaks, including with regard to new strains or variants of the virus, evolving international, federal, state and local restrictions and safety regulations in response to COVID-19 risks, changes in consumer behavior and health concerns, the pace of economic activity in the wake of the COVID-19 crisis, or other similar issues could adversely affect our business, results of operations or financial condition in the future, or our financial results and business performance in future periods.

Various constraints in our merchandise supply chain have resulted in some delays in our ability to convert demand into net revenue at normal historical rates. We anticipate that the business conditions related to COVID-19 will continue to adversely affect the capacity of our vendors and supply chain to meet our demand during fiscal year 2021. We expect that our supply chain may catch up to demand in the foreseeable future, but business circumstances and operational conditions in numerous international locations where our vendors operate cannot be predicted with certainty.

Depending on the future course of the pandemic and further outbreaks, we may experience further restrictions and closures of our physical operations with respect to Showrooms, Design Studios and Outlet stores.

Although we experienced strong demand for our products during fiscal year 2020, some of the demand may have been driven by stay-at-home restrictions that were in place throughout many parts of the United States. The exact impact of changes to these stay-at-home restrictions cannot be predicted with certainty.

Basis of Presentation

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying condensed consolidated financial statements include our accounts and those of our wholly owned subsidiaries. Accordingly, all intercompany balances and transactions have been eliminated through the consolidation process.

Unaudited Interim Condensed Financial Statements

The accompanying condensed consolidated balance sheet as of June 30, 2021, the condensed consolidated statements of comprehensive income, cash flows and changes in mezzanine equity and members' deficit for the six months ended June 30, 2021 and 2020, and the related interim condensed consolidated disclosures are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

In management's opinion, the accompanying condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the Company's financial position as of June 30, 2021; the results of operations, cash flows and changes in mezzanine equity and members' deficit for the six months ended June 30, 2021 and 2020. The condensed consolidated balance sheet as of December 31, 2020 included herein was derived from audited financial statements, but does not include all disclosures required by GAAP.

The results for the six months ended June 30, 2021 and 2020 are not necessarily indicative of the operating results to be expected for the full fiscal year or any future period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. Therefore, these condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included elsewhere in this prospectus.

Use of Estimates

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Client Deposits

Client deposits represent payments made by clients on orders. At the time of purchase, the Company collects deposits for all orders equivalent to at least 50 percent of the clients purchase price. Orders are recognized as revenue when the merchandise is delivered to the client and at the time of delivery the client deposit is no longer recorded as a liability. The Company expects that client deposits as of June 30, 2021 will be recognized within the next 12 months, as the performance obligations are satisfied.

Gift Cards

The Company sells gift cards to our clients in our Showrooms and through our website. Such gift cards do not have expiration dates. We defer revenue when payments are received in advance of performance for unsatisfied obligations related to our gift cards. The liability related to unredeemed gift cards of $0.8 million and $0.8 million is recorded in the accrued other expenses line item of the condensed consolidated balance sheets at June 30, 2021 and December 31, 2020, respectively. The Company recognizes income associated with breakage proportional to actual gift card redemptions.

Fair Values of Financial Instruments

The Company's primary financial instruments are accounts receivable, payables, lease obligations, derivatives, and incentive unit compensation instruments. Due to the short-term maturities of accounts receivable and payables, the Company believes the fair values of these instruments approximate their respective carrying values at June 30, 2021 and December 31, 2020. See Note 4 for discussion of our derivative, Note 5 for discussion of our lease obligations and Note 7 for discussion of our incentive unit compensation instruments.

The Company has established a hierarchy to measure our financial instruments at fair value, which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect the Company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. The hierarchy defines three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets for identical, unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3 Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

2. Recently Issued Accounting Standards

New Accounting Standards or Updates Not Yet Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases, which for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheets. While it will still be necessary for lessees to distinguish between "operating" and "financing" (formerly known as "capital") leases, and for lessors to distinguish between sales-type, direct financing, and operating leases, these distinctions will primarily affect how a lessee or lessor must recognize expense or income, respectively, in its income statement. The new guidance is effective for financial statements issued for annual periods beginning after December 15, 2021, for the Company. Early adoption is permitted. The adoption of this ASU will result in a material increase on the Company's condensed consolidated balance sheets for lease liabilities and right-of-use

assets. While the Company is continuing to evaluate all potential impacts of the standard, we do not expect the adoption to have a material impact on the Company's consolidated net earnings or cash flows. The Company plans to adopt ASU 2016-02 in 2022.

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements." The amendments in this update represent changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice. The amendments in this update affect a wide variety of Topics in the Codification and apply to all reporting entities within the scope of the affected accounting guidance. ASU 2020-10 is effective for annual periods beginning after December 15, 2021 for non-public business entities. Early application is permitted. The amendments in this update should be applied retrospectively. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

3. Merchandise Warranties

The Company warrants certain merchandise to be free of defects in both construction materials and workmanship from the date the performance obligation was fulfilled to the client for three to ten years depending on the merchandise category. The Company accounts for merchandise warranties by accruing an estimated liability when we recognize revenue on the sale of warrantied merchandise. We estimate future warranty claims based on claim experience which includes materials and labor costs to perform the repairs. We use judgment in making our estimates. We record differences between our estimated and actual costs when the differences are known.

A reconciliation of the changes in our limited merchandise warranty liability is as follows (amounts in thousands):

	Six Months Ended June 30,	
	2021	2020
Balance as of beginning of year	$ 3,326	$ 3,164
Accruals during the period	3,514	2,099
Settlements during the period	(2,972)	(2,243)
Balance as of end of the period (1)	$ 3,868	$ 3,020

(1) —$2.2 million and $1.8 million were recorded in accrued other expenses at June 30, 2021 and December 31, 2020, respectively. The remainder is recorded in other long-term liabilities.

We recorded accruals during the periods presented in the table above, primarily to reflect charges that relate to limited merchandise warranties issued during the respective periods.

4. Long-Term Debt

On June 25, 2020, the Company entered into a credit agreement ("Revolver") which includes a revolving credit facility of $30.0 million with availability limited pursuant to a borrowing base formulated based on specified percentages of eligible inventory, net of reserves. The Company's borrowings under the Revolver bears variable interest rates at the LIBOR index rate ("LIBOR") plus the applicable margin (5.5% at June 30, 2021). In the event the LIBOR index rate ceases to be available during the term of the Revolver, the Revolver provides procedures to determine an Alternate Base Rate.

ARHAUS, LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

At June 30, 2021, we have no availability on the Revolver based on the borrowing base formula. The Company has the option, subject to terms and conditions, to borrow on the Revolver by means of LIBOR loans. The Revolver has certain financial covenants, including a minimum fixed charge ratio and minimum EBITDA requirements. The Revolver carries a non-use fee of 0.50% per annum. Loan costs related to the Revolver of $1.5 million are recorded in other noncurrent assets, net on the condensed consolidated balance sheets and are amortized over the term of the debt on a straight-line basis. Amortization expense was $0.3 million for the six months ended June 30, 2021, and is included in interest expense within the condensed consolidated statements of comprehensive income. Accumulated amortization related to loan costs for the revolver was $0.5 million as of June 30, 2021. The Revolver expires on June 25, 2023.

Prior to the Company entering into the Revolver, the debt structure ("Prior Credit Facilities") included a revolving credit facility of $30.0 million (the "Prior Revolver") with availability limited pursuant to a borrowing base formula based on specified percentages of eligible inventories and accounts receivable.

The Company had the option, subject to terms and conditions, to borrow on the Prior Revolver by means of any combination of Base Rate Loans or LIBOR Loans. The Company's borrowings under the Prior Revolver bore variable interest rates for Base Rate Loans of the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate, (c) the LIBOR Rate plus 1%, and (d) 4.00% and at LIBOR loans at the LIBOR rate ("LIBOR") plus the applicable margin. The Prior Revolver carried a non-use fee of 0.50% per annum. Loan costs related to the Prior Revolver were recorded in other noncurrent assets, net and were amortized over the term of the debt on a straight-line basis. Amortization expense was $0.2 million for the six months ended June 30, 2020, and is included in interest expense within the condensed consolidated statements of comprehensive income. The unamortized balance of the loan costs of $0.6 million as of June 25, 2020 were written off to interest expense within the condensed consolidated statements of comprehensive income, as the Company entered into a new credit agreement with different lenders.

The Company's Prior Credit Facilities also included a term loan of $40.0 million (the "Term Loan"). The Term Loan bore interest at a rate equal to 16.0% per annum, of which 12.0% per annum was to be paid in cash and 4.0% per annum was to be paid in kind by capitalizing such amount and adding it to the principal amount of the loan each quarter. The Company was required to make a prepayment on the Term Loan in an amount not less than 50 percent of the Company's Excess Cash Flow, as defined, on or before May 15th of the year following such fiscal year. Other than the mandatory Excess Cash Flow payments, as defined, which were calculated at the end of each fiscal year, the Term Loan had no required periodic principal payments during the term. The Term Loan facility permitted early principal payments subject to a 1.0% prepayment premium through December 26, 2020, and none thereafter. The Term Loan was paid in full on December 28, 2020.

Financing costs related to the Term Loan were amortized over the term of the Term Loan, on a straight-line basis, which approximated the effective interest method. Amortization expense was $0.3 million for the six months ended June 30, 2020, and is included in interest expense within the condensed consolidated statements of comprehensive income.

The Company's Term Loan had an exit fee clause which allowed the holder of the Term Loan to receive either $3.0 million upon repayment of the Term Loan or a payout equivalent to 4.0% of the total equity value of the Company. The 4.0% of the total equity value of the Company payout is payable upon a change of control, qualified initial public offering or sale of all or substantially all assets of the Company. In connection with the repayment of the Term Loan on December 28, 2020, the holder informed the Company they would decline the option to receive the $3.0 million and elect to receive a payout equivalent to 4.0% of the equity value of the Company. The exit fee is treated as a derivative and adjusted to fair value each reporting period. The Company

recorded a liability of $49.4 million and $19.6 million at June 30, 2021 and December 31, 2020, respectively, related to the derivative that is classified within other long-term liabilities on the condensed consolidated balance sheets.

At June 30, 2021, the Company's valuation of the derivative liability was measured using the probability-weighted expected return model ("PWERM"). The PWERM is a scenario-based methodology that estimates the fair value of the derivative based upon an analysis of future values for the Company. The Company considered two different scenarios:(a) remain private; and (b) initial public offering ("IPO"). Under the remain private scenario, as of June 30, 2021, the Company estimated the enterprise value by weighting the guideline public company method and the discounted cash flow method, and then relied on the option pricing method ("OPM") and applied a discount for lack of marketability ("DLOM"). The OPM estimated the value using the Black-Scholes OPM. The fair value of the exit fee has been determined utilizing unobservable inputs and therefore is a Level 3 measurement under the fair value hierarchy.

The key assumptions used within the Black-Scholes OPM as of June 30, 2021 are as follows:

	June 30, 2021
Term	10 years
Risk-free rate of return	1.50%
Volatility	40.00%
Dividend yield	0%

At December 31, 2020, the Company used a discounted cash flow method and guideline public company method to determine the fair value of equity which was used to calculate the fair value of the derivative liability. The key assumptions used within the valuation as December 31, 2020 are as follows:

Term	10 years
Risk-free rate of return	0.90%
Volatility	40.00%
Dividend yield	0%

The assumed volatility assumption is based on that of an identified group of comparable public companies. The fair value of the exit fee has been determined utilizing unobservable inputs and therefore is a Level 3 measurement under the fair value hierarchy.

The Company was in compliance with all covenants at June 30, 2021 and December 31, 2020, and expects to remain in compliance over the next 12 months.

5. Leases

The Company leases real estate and equipment under operating leases, some of which are from related parties. The most significant obligations under these lease agreements require the payments of periodic rentals, real estate taxes, insurance and maintenance costs. Rent expense for the six months ended June 30, 2021 and 2020, was $31.3 million and $29.0 million, respectively. Amortization of landlord improvements for the six months ended June 30, 2021 and 2020, was $5.6 million and $5.1 million, respectively. Depending on particular Showroom leases, the Company can also owe a percentage rent payment if particular Showrooms meet certain sales figures. Percentage rent expense for the six months ended June 30, 2021 and 2020, was $1.2 million and $0.6 million, respectively.

In March 2021, the Company entered into a lease agreement with a related party for a distribution center and manufacturing building, with construction expected to be completed in the fourth quarter of 2021. The base lease term is for 12-years, with a 10-year renewal option and two additional 5-year renewal options at the higher of the minimum base rent or the fair market rent at the time of renewal execution. The monthly rental payments range from $0.2 million to $0.3 million during the 12-year base lease term and from $0.4 million to $0.5 million during the 10-year renewal period. The Company has concluded that the lease is an operating lease.

Future minimum rental payments required under operating leases with initial or remaining noncancelable lease terms at June 30, 2021, are as follows (amounts in thousands):

Year Ending December 31,	Third Party	Related Party	Total
Remainder of 2021	$ 20,155	$ 1,543	$ 21,698
2022	40,161	4,596	44,757
2023	36,073	4,686	40,759
2024	31,454	3,873	35,327
2025	27,030	3,455	30,485
2026	23,442	3,374	26,816
Thereafter	94,868	25,564	120,432
	$ 273,183	$ 47,091	$320,274

In September 2014, the Company entered into a lease agreement with a related party on a triple net basis for our headquarters building and distribution center, with construction completed during 2016. The base lease term is 17-years, with a 10-year renewal option at fixed rental payments, and with two additional 5-year renewal options at the fair market rental payments. The monthly rental payments range from $0.2 million to $0.5 million during the 17-year base lease term and from $0.5 million to $0.6 million during the 10-year renewal period. The Company has concluded that the lease is a capital lease. The capital lease obligation and related asset were valued at $45 million and were recorded in 2016 when the Company took control of the property. Accumulated amortization was $5.9 million and $5.3 million at June 30, 2021 and December 31, 2020, respectively.

The following is a schedule, by year, of future minimum lease payments at June 30, 2021, for the capital lease related to the Company's corporate headquarters and distribution center, are as follows (amounts in thousands):

Year Ending December 31,	
Remainder of 2021	$ 2,324
2022	4,649
2023	4,649
2024	4,649
2025	4,649
2026	5,200
Thereafter	97,148
	123,268
Less: Amounts representing interest	(75,800)
	$ 47,468

The Company has received certain rent abatements and has scheduled rent increases under various real estate leases. The condensed consolidated statements of comprehensive income reflects rent expense on a

straight-line basis over the terms of the respective leases. A deferred rental obligation of $73.7 million and $71.2 million related to the lease incentives and the straight-line rent expense is reflected in the condensed consolidated balance sheets at June 30, 2021 and December 31, 2020, respectively, in the deferred rent and lease incentives line item.

6. Mezzanine Equity

In connection with the issuance of the Prior Credit Facilities discussed in Note 4, the Class A and Class B unit equity holders made an aggregate $25.0 million capital contribution to the Company in exchange for 1,250,000 Class A Preferred Units and 1,250,000 Class B Preferred Units, respectively (collectively, the "Preferred Units"). The Preferred Units were issued pursuant to the Third Amended and Restated Limited Liability Company Agreement of the Company dated June 26, 2017 (the "2017 LLC Agreement"), and accrue a 16% per annum (compounded annually) preferred return. The Preferred Units have no voting rights and do not participate in profits or losses. Preferred Unit holders are entitled to receive distributions in excess of tax distributions to Class A and B members in proportion to the accrued and unpaid preferred return and unreturned capital contributions. Further, preferred unit holders are entitled to receive proceeds upon a capital transaction before other unit holders in proportion to the accrued and unpaid preferred return and unreturned capital contributions. The Company can redeem the Preferred Units at our discretion, however, because the Preferred Unit holders control the Board and could force the Company to redeem the Preferred Units they are recorded as mezzanine equity within the condensed consolidated balance sheets.

The accumulated 16% preferred return was $14.3 million at June 30, 2020. On December 29, 2020, the Preferred Units were repaid in full including the preferred return.

7. Incentive Unit Compensation Arrangements

In May of 2021, the 2017 LLC Agreement and 2017 Equity Plan were amended to authorize the Company to issue up to 967,987 Class G Units. Additionally, in accordance with the amendments the authorized Class F and Class F-1 Units that could be issued were reduced to 2,190,514 and 2,190,514, respectively. No changes to the Company's Class C and D incentive units were made. The Class C, D, F, F-1 and G Units are collectively referred to as the "Incentive Units."

In May and June of 2021, the Company granted Class G Units that vest over a five year term and become fully vested in the event of a change in control, death or disability, as long as the holder of the Class G Units is employed by the Company on the date of such events. Further, certain unit holders who are terminated without cause will have unvested units fully vested upon that event.

The holders of the Class G Units do not share in distributions of operating cash flows. Upon the termination of certain Class G Unit holder's, all unvested Class G Units are forfeited, and the Company has the right to purchase all vested Class G Units at a per unit price equal to the fair market value of Class G Unit determined at the date of such right is exercised as determined by an independent appraisal firm to be mutually agreed to by the Company and unit holder; provided; however, all vested and unvested Class G Units are forfeited without compensation in the event of termination with cause.

The Company has recorded Incentive Unit compensation expense of $0.4 million and $0.3 million for the six months ended June 30, 2021 and 2020, respectively, within the selling, general and administrative expenses line item of the condensed consolidated statements of comprehensive income. Total unrecognized compensation cost for the Incentive Units to be recognized in future periods is $12.3 million at June 30, 2021,

and will be recognized over a weighted average period of 4.78 years. The total grant-date fair value of incentive units that vested as of June 30, 2021 and December 31, 2020, were $0.1 million and $0.4 million, respectively.

Incentive Unit activity through June 30, 2021, is as follows:

	Class C		Class D		Class F/F-1		Class G	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value (1)	Units	Weighted Average Grant Date Fair Value
December 31, 2020	1,868,913	$ 0.57	96,318	$ 0.83	4,381,030	$ 0.63	—	$ —
Granted	—	—	—	—	—	—	661,310	18.10
Forfeited	—	—	—	—	(109,916)	0.77	—	—
June 30, 2021	1,868,913	$ 0.57	96,318	$ 0.83	4,271,114	$ 0.63	661,310	$ 18.10

(1) —For each Class F Unit a corresponding Class F-1 Unit is authorized, issued and outstanding. The Class F Units and Class F-1 Units are aggregated for purposes of valuation.

Vested Incentive Units as of June 30, 2021 and December 31, 2020, are as follows:

	Class C	Class D	Class F/F-1	Class G
June 30, 2021	1,653,476	96,318	2,945,802	—
December 31, 2020	1,653,476	96,318	2,167,547	—

At June 30, 2021, the Company's valuation of the Incentive Units granted in May and June of 2021 were measured using the PWERM. The PWERM is a scenario-based methodology that estimates the fair value of the Incentive Units awarded based upon an analysis of future values for the Company. The Company considered two different scenarios: (a) remain private; and (b) IPO. Under the remain private scenario, as of June 30, 2021, the Company estimated the enterprise value by weighting the guideline public company method and the discounted cash flow method, and then relied on the OPM and applied a DLOM. The OPM estimated the value using the Black-Scholes OPM. The fair value of the Incentive Units has been determined utilizing unobservable inputs and therefore is a Level 3 measurement under the fair value hierarchy.

	May and June of 2021
Term	10 years
Risk-free rate of return	1.50%
Volatility	40.00%
Dividend yield	0%

The expected term represents our expected time until a liquidity event as of the valuation date. The assumed volatility assumption is based on that of an identified group of comparable public companies over a similar term. The risk-free rate of return is based on the yields of U.S. Treasury securities with maturities similar to the expected term. We used an expected divided yield of zero, as we did not plan to pay cash dividends for the foreseeable future.

The fair values of each class of Incentive Units have been determined utilizing unobservable inputs, and therefore are Level 3 measurements under the fair value hierarchy.

Additionally, a probability distribution of possible future equity values is completed and incorporated into the calculation of respective Incentive Unit fair values. This is necessary as upon the occurrence of a liquidity event in the future, the proceeds thereof will be allocated in accordance with the distribution waterfall defined within the 2017 LLC Agreement.

8. Segment Reporting

Our chief operating decision maker ("CODM") is our Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making decisions, assessing financial performance and allocating resources. We operate our business as one operating segment and therefore we have one reportable segment that offers an assortment of merchandise across a number of categories, including furniture, lighting, textiles, décor, and outdoor. The assortment of merchandise can be purchased through our Showroom and eCommerce sales channels.

The majority of our net revenue is generated through sales to clients in the United States. Sales to clients outside of the United states are not significant. Further, no single client represents more than ten percent or more of our net revenue.

The following table shows net revenue by merchandise sales channel for the six months ended June 30, 2021 and 2020, respectively (amounts in thousands):

	Six Months Ended June 30,	
	2021	2020
Retail	$290,511	$184,392
eCommerce	64,846	39,713
Total Net revenue	$355,357	$224,105

9. Net and comprehensive income per unit

Basic and diluted net and comprehensive income per unit for the six months ended June 30, 2021 and 2020, was calculated by adjusting net and comprehensive income attributable to Arhaus, LLC for preferred dividends, and dividing by basic and diluted weighted-average number of common units outstanding (amounts in thousands except unit and per unit data).

	Six Months Ended June 30,	
	2021	2020
Numerator		
Net and comprehensive income	$ 16,197	$ 13,649
Less: Preferred units dividend	—	2,905
Net and comprehensive income attributable to the unit holders	$ 16,197	$ 10,744
Denominator—Basic and Diluted		
Weighted-average number of common units outstanding	28,426,513	28,426,513
Net and comprehensive income per unit, basic and diluted	$ 0.57	$ 0.38

ARHAUS, LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

10. Commitments and Contingencies

The Company is involved in litigation and claims that are incidental to its business. Although the outcome of these matters cannot be determined at the present time, management of the Company believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

11. Related Party Transactions

For the Company's discussion of related party transactions see Note 5.

12. Subsequent Event

The Company has evaluated its condensed consolidated financial statements for subsequent events through September 3, 2021, the date the condensed consolidated financial statements were available to be issued.

Shares

ARHAUS®

Class A Common Stock

PROSPECTUS

BofA Securities

Jefferies

Morgan Stanley

Piper Sandler

Baird

Barclays

Guggenheim Securities

William Blair

Telsey Advisory Group

, 2021

Until , 2021 (25 days after the date of this prospectus), all dealers that buy, sell or trade in shares of these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimates except the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the listing fee.

	Amount
SEC registration fee	$ 9,270
FINRA filing fee	15,500
Nasdaq filing fee and listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Blue Sky fees and expenses	*
Miscellaneous	*
Total	$ *

* To be provided by amendment.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors, and other corporate agents.

We expect to adopt an amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act. omission, or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, we expect to adopt amended and restated bylaws, which will become effective immediately prior to the completion of this offering, and which will provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

Further, Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except (1) for any breach of the director's duty of loyalty to the corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) for payments of unlawful dividends or unlawful stock repurchases or redemptions or (4) for any transaction from which the director derived an improper personal benefit. Our amended and restated certificate of incorporation, to be in effect prior to the completion of this offering, will provide that our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director and that if the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

We have entered into or will enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit, or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws, and the indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees, or other agents or is or was serving at our request as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our Board of Directors.

The underwriting agreement filed as Exhibit 1.1 to this registration statement will provide for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act or otherwise.

Item 15. Recent Sales of Unregistered Securities

In connection with the mergers described in "The Reorganization," owners of FS Arhaus Holding, Inc. received shares of our Class A common stock and owners of Homeworks Holdings, Inc., consisting of affiliates of John Reed, our Founder, and the Founder Family Trusts, received shares of our Class B common stock. In connection with the series of reorganizational transactions described in "The Reorganization," members of management with incentive unit holdings received shares of our Class A common stock in exchange for limited liability company units in Arhaus, LLC. The issuances of shares of Class A common stock and Class B common stock described in this paragraph were made in reliance in Section 4(a)(2) of the Securities Act.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits.

See the Exhibit Index immediately preceding the signature page hereto for a list of exhibits filed as part of this registration statement on Form S-l, which Exhibit Index is incorporated herein by reference.

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
3.1*	Form of Amended and Restated Certificate of Incorporation of Arhaus, Inc. to be in effect prior to the consummation of the offering made under this Registration Statement and the Reorganization.
3.2*	Form of Amended and Restated Bylaws of Arhaus, Inc., to be in effect prior to the consummation of the offering made under this Registration Statement and the Reorganization.
4.1*	Specimen Stock Certificate evidencing the shares of Class A common stock.
4.2*	Form of Registration Rights Agreement.
4.3*	Form of Investor Rights Agreement.
5.1*	Opinion of Baker & Hostetler LLP.
10.1*	Form of Indemnification Agreement entered into between Arhaus, Inc. and each of its directors.
10.2*#	2021 Equity Incentive Plan, dated as of , 2021.
10.3#	Employment Letter (Dawn Phillipson)
10.4#	Employment Letter (Kathy Veltri)
10.5#	Employment Letter (Dawn Sparks)
10.6#	Employment Letter (Jennifer Porter)
10.7#	Employment Letter (Lisa Chi)
10.8#	Employment Letter (Venkat Nachiappan)
10.9†	Credit Agreement, dated June 25, 2020, among Arhaus, LLC, the subsidiaries of Arhaus, LLC party as borrowers and guarantors, Wingspire Capital LLC and the lenders named therein.

Exhibit No.	Description
10.10†	Waiver and First Amendment to Credit Agreement, dated September 30, 2020, among Arhaus, LLC, the subsidiaries of Arhaus, LLC party as borrowers and guarantors, Wingspire Capital LLC and the lenders named therein.
10.11†	Second Amendment to Credit Agreement, dated December 28, 2020, among Arhaus, LLC, the subsidiaries of Arhaus, LLC party as borrowers and guarantors, Wingspire Capital LLC and the lenders named therein.
10.12†	Lease, dated March 12, 2021, between Premier Conover, LLC and Arhaus, LLC.
10.13†	Industrial Real Estate Lease, dated November 8, 2000, between Pagoda Partners LLC and Homeworks, Inc.
10.14†	Amendment to Industrial Real Estate Lease, dated September 22, 2004, between Pagoda Partners LLC and Homeworks, Inc.
10.15†	Second Amendment to Industrial Real Estate Lease, dated April 12, 2005, between Pagoda Partners LLC and Homeworks, Inc.
10.16	Third Amendment to Industrial Real Estate Lease, dated December 16, 2013, between Pagoda Partners LLC and Homeworks, Inc.
10.17	Fourth Amendment to Industrial Real Estate Lease, dated May 16, 2019, between Pagoda Partners LLC and Arhaus, LLC.
10.18	Fifth Amendment to Industrial Real Estate Lease, dated May 1, 2020, between Pagoda Partners LLC and Arhaus, LLC.
10.19	Sixth Amendment to Industrial Real Estate Lease, dated August 24, 2020, between Pagoda Partners LLC and Arhaus, LLC.
10.20†	Lease, dated September 19, 2014, between Premier Arhaus, LLC and Arhaus, LLC.
10.21	First Amendment to Lease, dated November 13, 2015, between Premier Arhaus LLC and Arhaus, LLC.
10.22	Second Amendment to Lease, dated November 2017, between Premier Arhaus, LLC and Arhaus, LLC.
10.23	Third Amendment to Lease, dated January 1, 2019, between Premier Arhaus LLC and Arhaus, LLC.
10.24†	Lease, dated July 20, 2010, between Brooklyn Arhaus, LLC and Homeworks, Inc.
10.25#	Retention and Success Bonus Agreement, dated May 11, 2021, between Arhaus, LLC and Dawn K. Phillipson
21.1	List of subsidiaries.
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of PricewaterhouseCoopers LLP.
23.3*	Consent of Baker & Hostetler LLP (contained in its opinion filed as Exhibit 5.1 hereto).
24.1	Power of Attorney (included on signature page of this Registration Statement).
99.1	Consent of Bill Beargie
99.2	Consent of Rick Doody
99.3	Consent of Andrea Hyde
99.4	Consent of John Kyees
99.5	Consent of Gary Lewis
99.6	Consent of John M. Roth

* To be filed by amendment
\# Indicates management contract or compensatory plan
† Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC on request.

(b) Financial Statement Schedules.

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act") may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Boston Heights, State of Ohio on October 4, 2021.

ARHAUS, INC

By: /s/ John Reed
Name: John Reed
Title: Chief Executive Officer

POWER OF ATTORNEY

Each of the undersigned officers and directors of Arhaus, Inc. hereby constitutes and appoints John Reed and Dawn Phillipson, and each of them any of whom may act without joinder of the other, the individual's true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for the person and in his or her name, place and stead, in any and all capacities, to sign this registration statement of Arhaus, Inc. on Form S-1, and any other registration statement relating to the same offering (including any registration statement, or amendment thereto, that is to become effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended), and any and all amendments thereto (including post-effective amendments to the registration statement), and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement on Form S-1 has been signed by the following persons in the capacities set forth opposite their names and on the date indicated above.

Signature	Title	Date
/s/ John Reed John Reed	Chief Executive Officer and Director (Principal Executive Officer)	October 4, 2021
/s/ Dawn Phillipson Dawn Phillipson	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	October 4, 2021
/s/ Albert Adams Albert Adams	Director	October 4, 2021
/s/ Brad J. Brutocao Brad J. Brutocao	Director	October 4, 2021

ARHAUS®

your home

February 12, 2019

Dawn Phillipson
[redacted]

Dear Dawn,

On behalf of John Reed and Arhaus, I am very pleased to offer you the position of Chief Financial Officer.

Here are the details of your offer:

1. Start date: February 8, 2019.
2. Base salary of $340,000 per year, paid bi-weekly.
3. You will be eligible for the Annual Corporate Salaried Bonus Plan (the "2019 Plan"), as the same is established by the Compensation Committee of the Board. Your target bonus will be 60% of your annual base pay. If achieved, the bonus will be paid in the 2nd quarter of 2020.
4. You will continue to be eligible for all benefits offered to regular full-time Arhaus Associates.
5. Should Arhaus choose to terminate your employment with the Company for any reason other than Cause (as defined below), or should you voluntarily resign from your employment with the Company for Good Reason (as defined below) you will be entitled, at the time of such termination or resignation, to the payment of a lump sum equal to the sum of: (a) 50% of the greater of (X) $340,000 or (Y) your highest base salary rate prior to such termination or resignation; plus (b) a COBRA stipend covering the six-month period immediately following such termination or resignation. Your lump sum payment will be subject to you signing a standard Arhaus employee severance agreement.
6. Notwithstanding the provisions of the foregoing Paragraph 5, if you voluntarily resign from your employment with the Company for any reason other than Good Reason, you will not receive the lump sum payment or stipend set forth in Paragraph 5.
7. Your rights with respect to your "Incentive Units" as an "Incentive Member" of the Company are as set forth in your Equity Incentive Agreement with the Company dated January 31, 2018 (the "EIA"), and those rights (including, without limitation, rights impacted by the definition of "Cause" in the EIA, as distinct from the definition of Cause with respect to your rights outside of the EIA) are unaffected by anything contained in this letter.

For purposes of this letter and the severance entitlement set forth in Paragraph 5 above, "Cause" means (i) an intentional act of fraud, embezzlement, theft or any other material violation of law that occurs during or in the course of your employment with the Company; (ii) intentional engagement in any competitive activity which would constitute a breach of your duty of loyalty to the Company; or (iii) the willful and continued failure to substantially perform your duties for the Company (other than as a result of incapacity due to physical or mental illness). For purposes of this paragraph, an act, or failure to act, shall not be deemed willful or intentional, as those terms are used herein, unless it is

done, or omitted to be done, by you in bad faith or without a reasonable belief that your action or omission was in the best interest of the Company. Failure to meet performance standards or objectives, by itself, does not constitute "Cause".

For purposes of this letter and the severance entitlement set forth in Paragraph 5 above, "Good Reason" means the occurrence of one or more of the following events arising without your express written consent, but only if you notify the Company in writing within thirty (30) days following our awareness of the occurrence of the event and the event remains uncured for at least fifteen (15) days after such notice: (i) a reduction in your base salary and/or Target Bonus potential; (ii) a diminution in your employee benefits from those provided to other executives at a similar level, as such benefits may be modified from time to time; (iii) a material diminution in your authority, duties or responsibilities; or (iv) the Company requires you to be based anywhere other than within fifty (50) miles of Boston Heights, Ohio.

This letter is a summary of the Company's obligations to you with respect to the terms of your employment, and is not an employment contract. Nothing herein removes or modifies the Company's "at-will" employment rights.

Dawn, the team and I look forward to continuing to work with you in your role as Chief Financial Officer. Please feel free to contact me with any questions/concerns that you may have. Please counter-sign this letter confirming your acceptance and forward to me.

Sincerely,

/s/ Mark Thompson
Mark Thompson
President and Chief Operating Officer
Arhaus

I, Dawn Phillipson, have read, understand, and accept the information outlined in this letter.

/s/ Dawn Phillipson	2/14/19
Dawn Phillipson	Date

ARHAUS®

your home

March 8, 2019

Kathy Veltri
[redacted]

Dear Kathy,

1 am very pleased to offer you the position of Chief Retail Officer.

Here are the details of your offer:

1. Start date: March 4, 2019.
2. Base salary of $370,000 per year, paid bi-weekly; plus an additional auto allowance of $900 per month.
3. You will be eligible for the Annual Corporate Salaried Bonus Plan (the "2019 Plan"), as the same is established by the Compensation Committee of the Board. Your target bonus will be 50% of your annual base pay. If achieved, the bonus will be paid in the 2nd quarter of 2020.
4. You will continue to be eligible for all benefits offered to regular full-time Arhaus Associates.
5. Should Arhaus choose to terminate your employment with the Company for any reason other than Cause (as defined below), or should you voluntarily resign from your employment with the Company for Good Reason (as defined below) you will be entitled, at the time of such termination or resignation, to the payment of a lump sum equal to the sum of: (a) 50% of the greater of (X) $340,000 or (Y) your highest base salary rate prior to such termination or resignation; plus (b) a COBRA stipend covering the six-month period immediately following such termination or resignation. Your lump sum payment will be subject to you signing a standard Arhaus employee severance agreement.
6. Notwithstanding the provisions of the foregoing Paragraph 5, if you voluntarily resign from your employment with the Company for any reason other than Good Reason, you will not receive the lump sum payment or stipend set forth in Paragraph 5.
7. Your rights with respect to your "Incentive Units" as an "Incentive Member" of the Company are as set forth in your Equity Incentive Agreement with the Company dated January 31, 2018 (the "EIA"), and those rights (including, without limitation, rights impacted by the definition of "Cause" in the EIA, as distinct from the definition of Cause with respect to your rights outside of the EIA) are unaffected by anything contained in this letter.

For purposes of this letter and the severance entitlement set forth in Paragraph 5 above, "Cause" means (i) an intentional act of fraud, embezzlement, theft or any other material violation of law that occurs during or in the course of your employment with the Company; (ii) intentional engagement in any competitive activity which would constitute a breach of your duty of loyalty to the Company; or (iii) the willful and continued failure to substantially perform your duties for the Company (other than as a result of incapacity due to physical or mental illness). For purposes of this paragraph, an act, or

failure to act, shall not be deemed willful or intentional, as those terms are used herein, unless it is done, or omitted to be done, by you in bad faith or without a reasonable belief that your action or omission was in the best interest of the Company. Failure to meet performance standards or objectives, by itself, does not constitute "Cause".

For purposes of this letter and the severance entitlement set forth in Paragraph 5 above, "Good Reason" means the occurrence of one or more of the following events arising without your express written consent, but only if you notify the Company in writing within thirty (30) days following our awareness of the occurrence of the event and the event remains uncured for at least fifteen (15) days after such notice: (i) a reduction in your base salary and/or Target Bonus potential; (ii) a diminution in your employee benefits from those provided to other executives at a similar level, as such benefits may be modified from time to time; (iii) a material diminution in your authority, duties or responsibilities; or (iv) the Company requires you to be based anywhere other than within fifty (50) miles of Boston Heights, Ohio.

This letter is a summary of the Company's obligations to you with respect to the terms of your employment, and is not an employment contract. Nothing herein removes or modifies the Company's "at-will" employment rights.

Dawn, the team and I look forward to continuing to work with you in your role as Chief Financial Officer. Please feel free to contact me with any questions/concerns that you may have. Please counter-sign this letter confirming your acceptance and forward to me.

Sincerely,

/s/ Mark D. Thompson
Mark D. Thompson
President
Arhaus

I, Kathy Veltri, have read, understand, and accept the information outlined in this letter.

/s/ Kathy Veltri	3/26/19
Kathy Veltri	Date

ARHAUS®

your home

December 17, 2018

Dawn Sparks
[redacted]

Dear Dawn:

On behalf of John Reed and Arhaus ("Arhaus" or the "Company"), I am very pleased to acknowledge your promotion to the position of Chief Logistics Officer.

Here are the details of your promotion:

- Start date in new position: January 2, 2019
- Base salary increase to $275,000 per year prior to January 2, 2019, paid bi-weekly.
- You will be eligible to participate in the 2019 Corporate Salaried Bonus Plan, as the same is developed by the Compensation Committee (the "2019 Plan"), and your target bonus is increased to 50% of your annual base salary. If achieved, the bonus will be paid in the 2nd quarter of 2020.
- You will continue to be eligible for all benefits offered to regular full-time Arhaus Associates.
- You will be entitled to a "no-cause severance" payment (the "Payment") should either (a) Arhaus choose to terminate your employment with the company for any reason other than Cause (as defined below), or (b) you voluntarily resign from your employment with Arhaus for Good Reason (as defined below). If you are so entitled, at the time of such termination or resignation, the Payment will be a lump sum equal to the sum of: (y) 50% of your highest base salary rate prior to such termination or resignation; plus (z) a COBRA stipend covering the six month period immediately following such termination or resignation; provided, however, your Payment will only be made if at that time you sign a standard Arhaus employee Separation Agreement and Release.

For all purposes of this letter and the Payment entitlement set forth in the fifth bullet point above:

"Cause" means (i) an intentional act of fraud, embezzlement, theft, or any other material violation of law that occurs during or in the course of your employment with the Company; (ii) intentional engagement in any competitive activity which would constitute a breach of your duty of loyalty to the Company; or (iii) the willful and continued failure to substantially perform your duties for the Company. For purposes of this paragraph, an act, or a failure to act, shall not be deemed willful or intentional unless it is done, or omitted to be done, by you in bad faith or without a reasonable belief that your action or omission was in the best interests of the Company; and

"Good Reason" means the occurrence of one or more of the following events arising without your express written consent, but only if you notify the Company in writing within thirty (30) days following your

awareness of the occurrence of the event and the event remains uncured for at least fifteen (15) days after such notice: (i) a reduction in your base salary and/or target bonus potential; (ii) a diminution in your employee benefits relative to those provided to other executives at a similar level, as such benefits may be modified from time to time; or (iii) the Company requires you to be based anywhere other than within fifty (50) miles of Boston Heights, Ohio.

Dawn, the team and I look forward to continuing to work with you in your role as Chief Logistics Officer. Please feel free to contact me with any questions/concerns that you may have. Please counter-sign this letter confirming your acceptance and forward to me.

Note that this letter is a summary of our acknowledgment of your promotion and not an employment contract. Further, nothing contained in this letter removes or modifies the company's or your "at-will" employment rights.

Sincerely,

Mark D. Thompson
Chief Financial Officer

I, Dawn Sparks, have read, understand, and accept the terms and conditions set forth in this letter.

/s/ Dawn Sparks	12/19/18
Dawn Sparks	Date

ARHAUS®

your home

July 22, 2019

Ms. Jennifer Porter
[redacted]

Dear Jennifer,

On behalf of John Reed and Arhaus, 1 am very pleased to offer you the position of Chief Marketing Officer.

Here are the details of your offer:

1. Start date: August 1, 2019; provided, however, that you may delay your Start date if you determine that it would cause an undue burden on your current employer, so long as your actual Start date is no later than September 16, 2019. Relocation allowance of $45,000.
2. Base salary of $300,000 per year, paid bi-weekly.
3. You will be eligible for the Annual Corporate Salaried Bonus Plan (the "2019 Plan"), as the same is established by the Compensation Committee of the Board. Your target bonus will be 50% of your annual base pay, prorated according to the portion of the year you are employed. If achieved, the bonus will be paid in the 2nd quarter of 2020.
4. You will have four (4) weeks of annual paid vacation, prorated for partial employment years.
5. You will be eligible for all benefits offered to regular full-time Arhaus Associates, including a 401(k) Plan with maximum 4% Company matching contribution (eligibility begins after six (6) months of employment).
6. Upon execution of a standard Joinder Agreement, you will receive an award of 91,596.54 of Class F and F-l Units (the "Incentive Units") and become an "Incentive Member" of Arhaus, LLC.
7. Should Arhaus choose to terminate your employment with the Company for any reason other than Cause (as defined below), or should you voluntarily resign from your employment with the Company for Good Reason (as defined below) you will be entitled, at the time of such termination or resignation, to the payment of a lump sum equal to the sum of: (a) 50% of the greater of (X) $300,000 or (Y) your highest base salary rate prior to such termination or resignation; plus (b) a COBRA stipend covering the six-month period immediately following such termination or resignation. Your lump sum payment will be subject to you signing a standard Arhaus employee severance agreement.
8. Notwithstanding the provisions of the foregoing Paragraph 7, if you voluntarily resign from your employment with the Company for any reason other than Good Reason, you will not receive the lump sum payment or stipend set forth in Paragraph 7.
9. Your rights with respect to your Incentive Units as an Incentive Member of the Company will be as set forth in your Equity Incentive Agreement with the Company which will be dated as of your Start Date (the "EIA"), and those rights (including, without limitation, rights impacted by the definition of "Cause" in the EIA, as distinct from the definition of Cause with respect to your rights outside of the EIA) are unaffected by anything contained in this letter.

For purposes of this letter and the severance entitlement set forth in Paragraph 7 above, "Cause" means (i) an intentional act of fraud, embezzlement, theft or any other material violation of law that occurs during or in the course of your employment with the Company; (ii) intentional engagement in any competitive activity which would constitute a breach of your duty of loyalty to the Company; or (iii) the willful and continued failure to substantially perform your duties for the Company (other than as a result of incapacity due to physical or mental illness). For purposes of this paragraph, an act, or failure to act, shall not be deemed willful or intentional, as those terms are used herein, unless it is done, or omitted to be done, by you in bad faith or without a reasonable belief that your action or omission was in the best interest of the Company. Failure to meet performance standards or objectives, by itself, does not constitute "Cause".

For purposes of this letter and the severance entitlement set forth in Paragraph 7 above, "Good Reason" means the occurrence of one or more of the following events arising without your express written consent, but only if you notify the Company in writing within thirty (30) days following our awareness of the occurrence of the event and the event remains uncured for at least fifteen (15) days after such notice: (i) a reduction in your base salary and/or Target Bonus potential; (ii) a diminution in your employee benefits from those provided to other executives at a similar level, as such benefits may be modified from time to time; (iii) a material diminution in your authority, duties or responsibilities; or (iv) the Company requires you to be based anywhere other than within fifty (50) miles of Boston Heights, Ohio.

This letter is a summary of the Company's obligations to you with respect to the terms of your employment, and is not an employment contract. Nothing herein removes or modifies the Company's "at-will" employment rights.

Jennifer, the team and I look forward to continuing to work with you in your role as Chief Marketing Officer, Please feel free to contact me with any questions/concerns that you may have. Please counter-sign this letter confirming your acceptance and forward to me.

Sincerely,

/s/ Mark D. Thompson
Mark D. Thompson
President and Chief Operating Officer
Arhaus

I, Jennifer Porter, have read, understand, and accept the information outlined in this letter.

/s/ Jennifer Porter
Jennifer Porter

Date

ARHAUS®

your home

6/17/2021

Dear Lisa,

On behalf of John Reed and Arhaus, I am very pleased to offer you the position of Chief Merchandise Officer. As Chief Merchandise Officer at Arhaus you will report to John Reed and oversee the Buying and Product Development departments.

Here are the details of your offer:

1. Start date: July 1st 2021
2. Base salary of $390,000 per year, paid bi-weekly.
3. Sign-on Bonus: $50,000; to be paid within the first pay cycle as an Arhaus employee.
4. You will be eligible for the Annual Corporate Salaried Bonus Plan (the "2021 Plan"), as the same is established by the Compensation Committee of the Board. Your target bonus will be 50% of your annual base pay. $50,000 of your bonus potential will be advanced on November 1, 2021. If achieved, the remainder of your 2021 Plan bonus will be paid in the 1st quarter of 2022.
5. You will have 5 weeks (25 days) of annual paid time off (PTO).
6. You will be eligible for all benefits offered to full-time Arhaus Associates, including a 401k Plan with a maximum 4% company matching contribution (eligibility begins after six (6) months of employment)
7. You will be required to work out of our Boston Heights Headquarters a minimum of 10 days per calendar month.
8. You will have a monthly commuting budget of $10,000. These funds are to cover the costs of flights, rental cars and lodging. Funds spent above the monthly commuting budget will be your personal responsibility.
9. Upon execution of the standard Joinder Agreement, you will receive an award of Class G Units (the "Incentive Units") in an amount determined by the Compensation Committee and become an "Incentive Member" of Arhaus, LLC.
10. Your rights with respect to your Incentive Units as an Incentive Member of the Company are as set forth in your Equity Incentive Agreement with the Company which will be dated as of your start date (the "EIA"), and those rights (including, without limitation, rights impacted by the definition of "Cause" in the EIA, as distinct from the definition of Cause with respect to your rights outside of the EIA) are unaffected by anything contained in this letter.
11. Should Arhaus choose to terminate your employment with the Company for any reason other than Cause (as defined below), or should you voluntarily resign from your employment with the Company for Good Reason (as defined below) you will be entitled, at the time of such termination or resignation, to the payment of a lump sum equal to the sum of: (a) 50% of the greater of (X) $390,000 or (Y) your highest base salary rate prior to such termination or resignation; plus (b) a COBRA stipend covering the six-month period immediately following such termination or resignation. Your lump sum payment will be subject to you signing a standard Arhaus employee severance agreement.

12. Notwithstanding the provisions of the foregoing Paragraph 11, if you voluntarily resign from your employment with the Company for any reason other than Good Reason, you will not receive the lump sum payment or stipend set forth in Paragraph 11.

For purposes of this letter and the severance entitlement set forth in Paragraph 11 above, "Cause" means (i) an intentional act of fraud, embezzlement, theft or any other material violation of law that occurs during or in the course of your employment with the Company; (ii) intentional engagement in any competitive activity which would constitute a breach of your duty of loyalty to the Company; or (iii) the willful and continued failure to substantially perform your duties for the Company (other than as a result of incapacity due to physical or mental illness). For purposes of this paragraph, an act, or failure to act, shall not be deemed willful or intentional, as those terms are used herein, unless it is done, or omitted to be done, by you in bad faith or without a reasonable belief that your action or omission was in the best interest of the Company. Failure to meet performance standards or objectives, by itself, does not constitute "Cause".

For purposes of this letter and the severance entitlement set forth in Paragraph 11 above, "Good Reason" means the occurrence of one or more of the following events arising without your express written consent, but only if you notify the Company in writing within thirty (30) days following our awareness of the occurrence of the event and the event remains uncured for at least fifteen (15) days after such notice: (i) a reduction in your base salary and/or Target Bonus potential; (ii) a diminution in your employee benefits from those provided to other executives at a similar level, as such benefits may be modified from time to time; (iii) a material diminution in your authority, duties or responsibilities; or (iv) the Company requires you to be based anywhere other than within fifty (50) miles of Boston Heights, Ohio.

This letter is a summary of the Company's obligations to you with respect to the terms of your employment, and is not an employment contract. Nothing herein removes or modifies the Company's "at-will" employment rights.

Lisa, the team and I look forward to working with you in your role as Chief Merchandise Officer. Please feel free to contact me with any questions/concerns that you may have. Please counter-sign this letter confirming your acceptance and forward to me.

Sincerely,

/s/ Dawn Phillipson
Dawn Phillipson
Chief Financial Officer
Arhaus

I, Lisa Chi, have read, understand, and accept the information outlined in this letter.

/s/ Lisa Chi _____ 6/21/21 _____

ARHAUS®

your home

May 11, 2021

Mr. Venkat Nachiappan

Dear Venkat,

On behalf of John Reed and Arhaus, I am very pleased to offer you the position of Chief Information Officer.

Here are the details of your offer:

1. Start date: June 4th 2021
2. Base salary of $340,000 per year, paid bi-weekly.
3. We will pay you a signing bonus of $50,000 (gross amount, subject to applicable tax withholding) within 30 days after your employment start date. Should you voluntarily resign from Arhaus, or be terminated for "Cause", you will be required to repay the signing bonus according to the following schedule: within the first year, 100%: within the second year, prorated based on time worked.
4. You will receive stipend for COBRA equal to two months of your current employers COBRA cost.
5. You will be eligible for the Annual Corporate Salaried Bonus Plan (the "2021 Plan"), as the same is established by the Compensation Committee of the Board. Your target bonus will be 50% of your annual earnings. If achieved, the bonus will be paid in the 1st quarter of 2022.
6. You will have 4 weeks of annual paid vacation, prorated for partial employment years.
7. You will be eligible for all benefits offered to full-time Arhaus Associates, including a 401k Plan with a maximum 4% company matching contribution (eligibility begins after six (6) months of employment)
8. You will be required to move to the Cleveland area by July 31st 2021. Arhaus will pay the cost of your relocation with the assistance of an Arhaus third party logistics provider.
9. Upon execution of the standard Joinder Agreement, you will receive an award of Class G Units (the "Incentive Units") in an amount determined by the Compensation Committee and become an "Incentive Member" of Arhaus, LLC.
10. Your rights with respect to your "Incentive Units" as an "Incentive Member" of the Company are as set forth in your Equity Incentive Agreement with the Company which will be dated as of your start date (the "EIA"), and those rights (including, without limitation, rights impacted by the definition of "Cause" in the EIA, as distinct from the definition of Cause with respect to your rights outside of the EIA) are unaffected by anything contained in this letter.
11. Should Arhaus choose to terminate your employment with the Company for any reason other than Cause (as defined below), or should you voluntarily resign from your employment with the Company for Good Reason (as defined below) you will be entitled, at the time of such termination or resignation, to the payment of a lump sum equal to the sum of: (a) 50% of the greater of (X) $330,000 or (Y) your highest base salary rate prior to such termination or resignation; plus (b) a COBRA stipend covering the six-month period immediately following such termination or resignation. Your lump sum payment will be subject to you signing a standard Arhaus employee severance agreement.

12. Notwithstanding the provisions of the foregoing Paragraph 11, if you voluntarily resign from your employment with the Company for any reason other than Good Reason, you will not receive the lump sum payment or stipend set forth in Paragraph 11.

For purposes of this letter and the severance entitlement set forth in Paragraph 9 above, "Cause" means (i) an intentional act of fraud, embezzlement, theft or any other material violation of law that occurs during or in the course of your employment with the Company; (ii) intentional engagement in any competitive activity which would constitute a breach of your duty of loyalty to the Company; or (iii) the willful and continued failure to substantially perform your duties for the Company (other than as a result of incapacity due to physical or mental illness). For purposes of this paragraph, an act, or failure to act, shall not be deemed willful or intentional, as those terms are used herein, unless it is done, or omitted to be done, by you in bad faith or without a reasonable belief that your action or omission was in the best interest of the Company. Failure to meet performance standards or objectives, by itself, does not constitute "Cause".

For purposes of this letter and the severance entitlement set forth in Paragraph 9 above, "Good Reason" means the occurrence of one or more of the following events arising without your express written consent, but only if you notify the Company in writing within thirty (30) days following our awareness of the occurrence of the event and the event remains uncured for at least fifteen (15) days after such notice: (i) a reduction in your base salary and/or Target Bonus potential; (ii) a diminution in your employee benefits from those provided to other executives at a similar level, as such benefits may be modified from time to time; (iii) a material diminution in your authority, duties or responsibilities; or (iv) the Company requires you to be based anywhere other than within fifty (50) miles of Boston Heights, Ohio.

This letter is a summary of the Company's obligations to you with respect to the terms of your employment, and is not an employment contract. Nothing herein removes or modifies the Company's "at-will" employment rights.

Venkat, the team and I look forward to working with you in your role as Chief Information Officer. Please feel free to contact me with any questions/concerns that you may have. Please counter-sign this letter confirming your acceptance and forward to me.

Sincerely,

/s/ Dawn Phillipson
Dawn Phillipson
Chief Financial Officer
Arhaus

I, Venkat Nachiappan, have read, understand, and accept the information outlined in this letter.

/s/ Venkat Nachiappan _____ 5.11.21

Exhibit 10.9

EXECUTION VERSION

CREDIT AGREEMENT

dated as of June 25, 2020

among

ARHAUS, LLC, and

CERTAIN OF ITS SUBSIDIARIES,

as Borrowers,

CERTAIN OF ITS SUBSIDIARIES,

as Guarantors,

THE LENDERS PARTY HERETO,

and

WINGSPIRE CAPITAL LLC,
as Administrative Agent

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SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT

This CREDIT AGREEMENT (this "Agreement"), dated as of June 25, 2020, is entered into by and among ARHAUS, LLC, a Delaware limited liability company (the "Company"), the Subsidiaries of the Company from time to time party hereto as "Borrowers" (the Company, together with such subsidiaries each, a "Borrower" and individually and collectively, jointly and severally, the "Borrowers"), the Subsidiaries of the Company from time to time party hereto as Guarantors (each, a "Guarantor" and collectively, the "Guarantors"), the financial institutions from time to time party hereto as lenders (each, a "Lender" and, collectively, the "Lenders"), and WINGSPIRE CAPITAL LLC, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the "Administrative Agent").

RECITALS

A. The Borrowers have requested that the Lenders make loans and other financial accommodations to the Borrowers as more fully set forth herein.

B. The Lenders have indicated their willingness to lend on the terms and subject to the conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE 1

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. As used in this Agreement, the following terms have the meanings specified below:

"ABLSoft" means the electronic and/or internet-based system approved by the Administrative Agent for the purpose of making notices, requests, deliveries, communications and for the other purposes contemplated in this Agreement or otherwise approved by Lender, whether such system is owned, operated or hosted by the Administrative Agent, any of its Affiliates or any other Person.

"Account" means an "account" as defined in Article 9 of the UCC.

"Account Debtor" has the meaning set forth in the Security Agreement.

"Acquisition" means any transaction or series of related transactions resulting, directly or indirectly, in: (a) the acquisition by any Person of (i) all or substantially all of the assets of another Person or (ii) all or substantially all of any business line, unit or division of another Person, (b) the acquisition by any Person (i) of in excess of 50% of the Equity Interests of any other Person, or (ii) otherwise causing any other Person to become a Subsidiary of such Person, or (c) a merger, amalgamation consolidation, or any other combination of any Person with another Person (other than a Person that is a Loan Party or a Subsidiary of a Loan Party) in which a Loan Party or any of its Subsidiaries is the surviving Person.

"Administrative Agent" means has the meaning assigned to such term in the preamble of this Agreement.

"Administrative Agent's Payment Office" means the Administrative Agent's office located at 13010 Morris Road, Building One, Suite 175, Alpharetta GA 30004, or such other office as to which the Administrative Agent may from time to time notify the Borrower Agent and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% per annum and (c) the LIBOR Index Rate on such day plus 1.00 % per annum, provided that the Alternate Base Rate shall at no time be less than 2.50% per annum. If the Administrative Agent shall have determined (which determination shall be conclusive absent clearly manifest error) that it is unable to ascertain the LIBOR Index Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms of the definition of the term LIBOR Index Rate, the Alternate Base Rate shall be determined without regard to clause (c), of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the LIBOR Index Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the LIBOR Index Rate, respectively.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the Loan Parties or their respective Subsidiaries from time to time concerning or relating to bribery or corruption.

"Anti-Money Laundering Laws" means the applicable laws, regulations, and sanctions, state and federal, criminal and civil, in any jurisdiction in which any Loan Party or any of its Subsidiaries or Affiliates is located or is doing business that: (a) limit the use of and/or seek the forfeiture of proceeds from illegal transactions; (b) limit commercial transactions with designated countries or individuals believed to be terrorists, narcotics dealers or otherwise engaged in activities contrary to the interests of the United States; (c) require identification and documentation of the parties with whom a financial institution conducts business; or (d) are designed to disrupt the flow of funds to terrorist organizations. Such laws, regulations and sanctions shall be deemed to include the USA PATRIOT Act, the Bank Secrecy Act, 31 U.S.C. Section 5311 *et. seq*., the Trading with the Enemy Act, 50 U.S.C. App. Section 1 *et. seq*., the International Emergency Economic Powers Act, 50 U.S.C. Section 1701 *et. seq*., and the sanction regulations promulgated pursuant thereto by the OFAC, as well as laws relating to prevention and detection of money laundering in 18 U.S.C. Sections 1956 and 1957.

"Anti-Terrorism Laws" has the meaning assigned to such term in Section 5.18(c).

"Applicable Margin" means in the case of Revolving Loans which are (i) Base Rate Loans, 4.50%, and (ii) LIBOR Index Rate Loans, 5.50%.

" Applicable Percentage" means, at any time with respect to any Revolving Lender, the percentage equal to a fraction the numerator of which is the amount of such Lender's Revolving Commitment and the denominator of which is the aggregate amount of all Revolving Commitments of all Revolving Lenders (provided that if the Revolving Commitments have terminated or expired, the Applicable Percentages of the Revolving Lenders shall be determined based upon the Revolving Exposure of the Revolving Lenders at such time of the determination).

"Applicable Reserve Requirement" means, at any time, for any LIBOR Index Rate Loan, the maximum rate, expressed as a decimal, at which reserves (including any basic marginal, special, supplemental, emergency or other reserves) are required to be maintained by member banks that are Lenders with respect thereto against "Eurocurrency liabilities" (as such term is defined in Regulation D of the Board of Governors, as in effect from time to time) under regulations issued from time to time by the Board of Governors or other applicable banking regulator. Without limiting the effect of the foregoing, the Applicable Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (a) any category of liabilities which includes deposits by reference to which the LIBOR Index Rate or any other interest rate of a Loan is to be determined, or (b) any category of extensions of credit or other assets which include LIBOR Index Rate Loans. LIBOR Index Rate Loans shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefit of credit for pro ration, exception or offsets that may be available from time to time to the applicable Lender. The rate of interest on LIBOR Index Rate Loans and Base Rate Loans determined by reference to the LIBOR Index Rate shall be adjusted automatically on and as of the effective date of any change in the Applicable Reserve Requirement.

"Approved Electronic Communication" means each notice, demand, communication, information, document and other material transmitted, posted or otherwise made or communicated by e-mail, facsimile, ABLSoft or any other equivalent electronic service, whether owned, operated or hosted by the Administrative Agent, any of its Affiliates or any other Person, that any party is obligated to, or otherwise chooses to, provide to the Administrative Agent pursuant to this Agreement or any other Loan Document, including any financial statement, financial and other report, notice, request, certificate and other information or material; provided, that Approved Electronic Communications shall not include any notice, demand, communication, information, document or other material that the Administrative Agent specifically instructs a Person to deliver in physical form.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Approved Line of Business" means, collectively, (a) those lines of business in which the Company and its Subsidiaries operate on the Closing Date and (b) any business or activity that is the same, similar or otherwise reasonably related, ancillary, complementary or incidental thereto.

"Arhaus Private Label Card" means the private label credit card issued by Comenity Bank (formerly World Financial Network National Bank) pursuant to a certain Second Amended and Restated Private Label Credit Card Plan Agreement dated October 25, 2010 entered into with the Company.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.4) and accepted by the Administrative Agent, in substantially the form of Exhibit A or any other form approved by the Administrative Agent.

"Attorney Costs" means, with respect to (a) the Administrative Agent, all reasonable and documented fees and out-of-pocket expenses, charges, disbursements and other charges of counsel to the Administrative Agent, and (b) the Credit Parties other than the Administrative Agent, all reasonable and documented fees and out of pocket expenses, charges, disbursements and other charges of one law firm (and one local counsel in each relevant jurisdiction and one special or regulatory counsel for each relevant subject matter to the extent reasonably necessary) for such Credit Parties and, solely in the case of an actual

or potential conflict of interest, one additional counsel (and one additional local counsel in each relevant jurisdiction one special or regulatory counsel for each relevant subject matter to the extent reasonably necessary) for such Credit Parties affected by such conflict of interest.

"Attributable Indebtedness" means, at any date, (a) in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation of any Person, the capitalized or principal amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease or other agreement were accounted for as a Capitalized Lease.

"Availability" means, at any time, the difference of (a) the lesser of (i) Revolving Credit Maximum Amount and (ii) the Borrowing Base at such time, less (b) the amount of the Total Revolving Outstandings at such time.

"Availability Reserves" means reserves in such amounts, and with respect to such matters, as the Administrative Agent shall deem necessary or appropriate in its Permitted Discretion, to establish and maintain against the Borrowing Base, including without limitation (a) price adjustments, damages, unearned discounts, returned products or other matters for which credit memoranda are issued in the ordinary course of any Loan Party's business; (b) potential dilution related to Credit Card Receivables; (c) other sums chargeable against the Loan Parties under any provision of this Agreement; (d) amounts owing by any Loan Party to any Person to the extent secured by a Lien on, or trust over, any property of any Loan Party; (e) to reflect that a Default or an Event of Default then exists; (f) rent for locations at which Inventory is stored and as to which the Administrative Agent has not received a satisfactory Collateral Access Agreement and any past due rent; (g) customs duties, and other costs to release Inventory which is being imported into the United States; (h) outstanding Taxes and other governmental charges, including, without limitation, ad valorem, real estate, personal property, sales, claims of the PBGC and other Taxes which may have priority over the interests of Administrative Agent in the Collateral; (i) salaries, wages and benefits due to employees of any Loan Party; (j) Customer Credit Liabilities (initially set at 50% of the total amount of Customer Credit Liabilities); (k) the Customer Deposit Reserve; (l) reserves for reasonably anticipated changes in the Appraised Value of Eligible Inventory between appraisals; (m) amounts due to vendors on account of consigned goods; (n) royalties payable in respect of licensed merchandise and (o) any other amounts which may be reasonably required to be paid in order to realize upon the Collateral. Any of the foregoing to the contrary notwithstanding, so long as no Increased Reporting Trigger Event shall have occurred, the Administrative Agent shall not establish and maintain any Availability reserve pursuant to the foregoing clause (f) (other than for past due rent) until the 61st day after the Closing Date. From and after the 61st day following the Closing Date, without limiting the Administrative Agent's discretion to establish and maintain other reserves against the Borrowing Base, so long as no Increased Reporting Trigger Event shall have occurred, the amount of Availability Reserves established pursuant to the foregoing clause (f) shall be limited to an amount equal to two months' rent (to include base rent and all other costs and expenses of the Loan Parties under the applicable lease) for each location at which Inventory is stored in which the applicable landlord has a priming statutory Lien on the Collateral located at such location.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, (a) with respect to any EEA Member Country implementing Article5 5 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time that is described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule

applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

" Bankruptcy Code" means Title 11 of the United State Code or any similar federal or state law for the relief of debtors.

"Base Rate Loan" means a Loan bearing interest based on the Alternate Base Rate.

"Benchmark Replacement" means the sum of: (a) the alternate benchmark rate (which may include Term SOFR) that has been selected by the Administrative Agent and Borrower Agent giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBOR for United States dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than 1.50%, the Benchmark Replacement shall be deemed to be 1.50% for the purposes of this Agreement.

"Benchmark Replacement Adjustment" means, with respect to any replacement of LIBOR with an Unadjusted Benchmark Replacement, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and Borrower Agent giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with the applicable Unadjusted Benchmark Replacement for United States dollar-denominated syndicated credit facilities at such time.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Alternate Base Rate", timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

"Benchmark Replacement Date" means the earlier to occur of the following events with respect to LIBOR:

(a) in the case of clause (a) or (b) of the definition of "Benchmark Transition Event," the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of LIBOR permanently or indefinitely ceases to provide LIBOR; or

(b) in the case of clause (c) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to LIBOR:

(a) a public statement or publication of information by or on behalf of the administrator of LIBOR announcing that such administrator has ceased or will cease to provide LIBOR, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide LIBOR;

(b) a public statement or publication of information by the regulatory supervisor for the administrator of LIBOR, the Federal Reserve System of the United States (or any successor), an insolvency official with jurisdiction over the administrator for LIBOR, a resolution authority with jurisdiction over the administrator for LIBOR or a court or an entity with similar insolvency or resolution authority over the administrator for LIBOR, which states that the administrator of LIBOR has ceased or will cease to provide LIBOR permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide LIBOR; or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of LIBOR announcing that LIBOR is no longer representative.

"Benchmark Transition Start Date" means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Administrative Agent or the Required Lenders, as applicable, by notice to Borrower Agent, the Administrative Agent (in the case of such notice by the Required Lenders) and the Lenders.

"Benchmark Unavailability Period" means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR and solely to the extent that LIBOR has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced LIBOR for all purposes hereunder in accordance with Section 3.3(b) and (y) ending at the time that a Benchmark Replacement has replaced LIBOR for all purposes hereunder pursuant to Section 3.3(b).

"Beneficial Ownership Certification" means, with respect to any Loan Party, a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation, which certification shall be substantially similar in form and substance to the form of Certification Regarding Beneficial Owners of Legal Entity Customers published jointly, in May 2018, by the Loan Syndications and Trading Association and Securities Industry and Financial Markets Association or such other form satisfactory to the Administrative Agent.

"Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

"Benefit Plan" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Board" means the Board of Governors of the Federal Reserve System of the United States.

"Borrower" has the meaning assigned to such term in the Preamble.

"Borrower Agent" has the meaning assigned to such term in Section 10.19.

"Borrowing" means a borrowing consisting of Revolving Loans made on the same day by the Lenders (or Administrative Agent on behalf thereof) or by Administrative Agent in the case of an Overadvance.

"Borrowing Base" means, as at any date of determination thereof, an amount equal to the sum of:

(a) 90% of the face amount of Eligible Credit Card Receivables; plus

(b) the lesser of (i) 65% of the value of Eligible Inventory (without duplication, net of applicable Inventory Reserves and excluding Eligible In-Transit Inventory) at such date and (ii) 90% of the NOLV of the value of Eligible Inventory (other than Eligible In-Transit Inventory) at such date; plus

(c) the least of (i) 65% of the value of Eligible In-Transit Inventory (without duplication, net of applicable Inventory Reserves) at such date, (ii) 65% of the NOLV of the value Eligible In-Transit Inventory at such date, and (iii) $3,500,000; minus

(d) all Availability Reserves.

For purposes hereof, in determining the amount to be so included, (1) the face amount of a Credit Card Receivable shall be reduced by, without duplication, to the extent not reflected in such face amount, (x) the amount of all accrued and actual discounts, claims, credits or credits pending, promotional program allowances, price adjustments, finance charges or other allowances (including any amount that a Borrower may be obligated to rebate to a customer, a Credit Card Issuer or Credit Card Processor pursuant to the terms of any agreement or understanding (written or oral)) and (y) the aggregate amount of all cash received in respect of such Credit Card Receivable but not yet applied by the applicable Borrower to reduce the amount of such Credit Card Receivable and (2) the value of Eligible Inventory or Eligible In-Transit Inventory shall be determined on a lower of cost or market basis with cost determined on a weighted-average cost method and market determined based on the estimated net realizable value, in each case, in accordance with GAAP.

"Borrowing Base Certificate" means a certificate by a Responsible Officer of Borrower Agent, on its own behalf and on behalf of all other Borrowers, substantially in the form of Exhibit B (or such other form as may be agreed to by the Administrative Agent) setting forth the calculation of the Borrowing Base (including each component thereof), in form and substance satisfactory to Administrative Agent.

"Borrowing Request" has the meaning given such term in Section 2.2(b).

"Business Day" means any day other than a Saturday, Sunday or day on which banks in Atlanta, Georgia are authorized or required by law to close; provided, however, that when used in connection with any determination of the LIBOR Index Rate, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

"Capital Expenditures" means, for any period, with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the acquisition or leasing of fixed or capital assets or additions to equipment that should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

"Capitalized Lease Obligations" means, at any time of determination, the amount of the liabilities in respect of Capitalized Leases that would at such time be required to be capitalized and reflected as a liability on a balance sheet prepared in accordance with GAAP.

"Capitalized Leases" means all leases that are required to be capitalized in accordance with GAAP.

"Cash Dominion Trigger Event" means either of (a) the occurrence of an Event of Default, or (b) Availability being less than $10,000,000 at any time.

"Cash Dominion Trigger Period" means the period commencing on the occurrence of a Cash Dominion Trigger Event and continuing until the date that (a) no Event of Default shall be continuing and (b) Availability is greater than or equal to $10,000,000 for a period of at least 30 consecutive calendar days.

"Cash Equivalents" means each of the following:

(a) debt obligations maturing within one year from the date of acquisition thereof to the extent the principal thereof and interest thereon is backed by the full faith and credit of the United States;

(b) commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or Moody's;

(c) certificates of deposit, banker's acceptances and time deposits maturing within 270 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States or any state, commonwealth or other political subdivision thereof that has a combined capital and surplus and undivided profits of not less than $ 500,000,000 or, to the extent not otherwise included, any Lender, and which is rated at least A-2 by S&P and P-2 by Moody's in the note or commercial paper rating category;

(d) repurchase agreements with a term of not more than 30 days for securities described in clause (a) of this definition and entered into with a financial institution satisfying the criteria described in clause (c) of this definition; and

(e) money market mutual funds, substantially all of the investments of which are in cash or investments contemplated by clauses (a), (b) and (c) of this definition.

"Casualty Event" means any event that gives rise to the receipt by any Loan Party or any of its Subsidiaries of insurance proceeds or condemnation awards arising from any damage to, destruction of, or other casualty or loss involving, or any seizure, condemnation, confiscation or taking under power of eminent domain of, or requisition of title or use of or relating to or in respect of any inventory, equipment, fixed assets or Real Property (including any improvements thereon) of such Loan Party or Subsidiary.

"Change in Law" means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority or the compliance therewith by any Credit Party; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines and directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" means an event or series of events by which:

(a) Permitted Holders (together with their Affiliates, and in the case of any individual shareholders, such Person's spouse, domestic partner, lineal descendant, sibling, parent or heirs) and (y) any trust, the beneficiaries of which include such individual shareholder and do not include any other Person other than Persons listed in this clause (a)) shall fail to own, directly or indirectly, more than 50% of the aggregate ordinary voting power or economic interests represented by the issued and outstanding Equity Interests of the Company on a fully diluted basis;

(b) a majority of the seats (other than vacant seats) on the board of directors (or equivalent governing body) of the Company shall at any time be occupied by Persons who were neither (i) nominated, approved or appointed by the board of directors (or equivalent governing body) of the Company nor (ii) nominated, approved or appointed by individuals so nominated, approved, or appointed;

(c) the Company shall fail to own, directly or indirectly, free and clear of all Liens or other encumbrances (other than Liens created pursuant to any Loan Document), 100% of the aggregate ordinary voting power and economic interests represented by the issued and outstanding Equity Interests of each of its Subsidiaries (or such lesser percentage as may be owned, directly or indirectly, as of the Closing Date or the later acquisition thereof) except where such failure is as a result of a transaction permitted by the Loan Documents; or

(d) any change in control (or similar event, however denominated) with respect to any Loan Party or any of its Subsidiaries shall occur under and as defined in the Second Lien Credit Agreement or any indenture or agreement in respect of Indebtedness in an outstanding principal amount in excess of the Threshold Amount to which any Loan Party or any of its Subsidiaries is a party.

"Closing Date" means June 25, 2020.

"Code" means the Internal Revenue Code of 1986, and the rules and regulations issued thereunder.

"Collateral" means all the "Collateral" as defined in the Collateral Documents and all other property of whatever kind and nature pledged or charged, or purported to be pledged or charged, as collateral under any Collateral Document, but excluding, however, all Excluded Assets (as defined in the Security Agreement).

"Collateral Access Agreement" means each landlord waiver, bailee waiver or other agreement between the Administrative Agent and any third party (including any bailee, assignee, consignee, customs broker, or other similar Person) in possession of any Collateral or any landlord of any Loan Party for any Real Property where any Collateral is located, in each case, in form and substance reasonably satisfactory to the Administrative Agent,.

"Collateral and Guarantee Requirement" means, at any time, the requirement that:

(a) the Administrative Agent shall have received each Collateral Document required to be delivered on the Closing Date pursuant to Section 4.1, or, following the Closing Date, pursuant to pursuant to Section 6.16 or Section 6.12, duly executed by each applicable Loan Party;

(b) all Obligations shall have been unconditionally guaranteed jointly and severally on a senior basis by the Guarantors;

(c) except to the extent otherwise provided hereunder or under any Collateral Document, the Obligations shall have been secured by a perfected first priority (subject only to Liens expressly permitted pursuant to Section 7.2) security interest in all Collateral of each Loan Party;

(d) none of the Collateral shall be subject to any Lien other than Liens expressly permitted by Section 7.2;

(e) the Administrative Agent shall have received an Information Certificate from each Loan Party; and

(f) the Mortgage Requirement shall have been satisfied.

The foregoing definition shall not require the creation or perfection of pledges of or security interests in particular assets if and for so long as the Administrative Agent agrees in writing that the cost of creating or perfecting such pledges or security interests in such assets shall be excessive in view of the benefits to be obtained by the Lenders therefrom.

"Collateral Documents" means, collectively, the Security Agreement, each Pledge Agreement, each Control Agreement (as defined in the Security Agreement), each Mortgage, each Collateral Access Agreement, each Copyright Security Agreement, each Patent Security Agreement, each Trademark Security Agreement, each Information Certificate, each Credit Card Notification, each Customs Broker Agreement, and each other security agreement, instrument or other document executed or delivered to secure any of the Obligations.

"Commitment" means with respect to any Lender, such Lender's Revolving Commitment.

"Commitment Fee" has the meaning assigned to such term in Section 3.2(a).

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.) and any successor statute.

"Company" means has the meaning assigned to such term in the preamble of this Agreement.

"Compliance Certificate" means a certificate, substantially in the form of Exhibit E.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Consolidated EBITDA" means, with respect to the Company and its Subsidiaries for any Measurement Period, the Consolidated Net Income of the Company and its Subsidiaries for such period:

(a) increased (without duplication) by the following, in each case, to the extent deducted (and not added back) in computing Consolidated Net Income for such period:

(i) federal, state, local and foreign income or franchise taxes paid or payable in cash during such period and, without duplication, the aggregate amount of Permitted Tax Distributions made during such period; plus

(ii) Consolidated Interest Expense (excluding the "imputed interest" portion of Capitalized Lease Obligations); plus

(iii) the non-cash straight line component of rent expense; plus

(iv) reasonable and customary one-time, non-recurring Transaction Expenses (not in excess of $750,000) incurred within three months of the Closing Date; plus

(v) consolidated depreciation and amortization expense; plus

(vi) any non-cash stock compensation expense; plus

(vii) store opening expenses (A) for the fiscal year ending December 31, 2020, in an amount not to exceed $1,000,000 in the aggregate, (B) for the fiscal year ending December 31, 2021, in an amount not to exceed $1,500,000 in the aggregate, and (C) at any time thereafter, in such amounts as may be agreed to by the Administrative Agent in its discretion; plus

(viii) non-cash losses and non-cash charges that are expressly approved by the Administrative Agent in writing in its sole discretion from time to time (excluding, in any event, any non-cash charges that constitute an accrual of or a reserve for future cash charges or are reasonably likely to result in a cash outlay in a future period); and

(b) decreased (without duplication) by the following, in each case, to the extent taken into account (or added back) in computing Consolidated Net Income for such period:

(i) interest income to the extent received in cash or otherwise during such period; plus

(ii) any gain realized in connection with the sale or Disposition of assets other than in the ordinary course of business or the Disposition of any securities or the extinguishment of any Indebtedness; plus

(iii) the amortization of deferred rent related to tenant allowance.

"Consolidated Fixed Charge Coverage Ratio" means, with respect to the Company and its Subsidiaries for any Measurement Period, the ratio of (a) Consolidated EBITDA minus the aggregate amount of all Consolidated Unfunded Capital Expenditures during such period to (b) Consolidated Fixed Charges.

"Consolidated Fixed Charges" means, for the Company and its Subsidiaries for any period, the sum, without duplication, of each of the following determined on a consolidated basis in accordance with GAAP: (a) Consolidated Interest Expense paid in cash during such period (excluding the "imputed interest" portion of Capitalized Lease Obligations), plus (b) the aggregate of all scheduled principal payments during such period in respect of Indebtedness (excluding (i) the repayment of the Existing Credit Agreement made on the Closing Date and (ii) mandatory prepayments of Excess Cash Flow (under and as defined in the Second Lien Credit Agreement as in effect on the Closing Date), but including the principal portion of Capitalized Lease Obligations), plus (c) Restricted Payments made by the Company and its Subsidiaries to Persons other than the Company and its direct and indirect Subsidiaries, plus, (d) income or franchise taxes of the Company and its Subsidiaries paid or payable in cash during such period.

"Consolidated Interest Expense" means, for the Company and its Subsidiaries for any period, the sum of consolidated total interest expense for such period, whether paid or accrued and whether or not capitalized.

"Consolidated Net Income" means, for the Company and its Subsidiaries for any Measurement Period, the sum of net income (or loss) for such period determined on a consolidated basis in accordance with GAAP, excluding, without duplication, to the extent included in determining such net income (or loss) for such period: (a) any income (or loss) of any other Person if such Person is not a subsidiary of the Company, except to the extent of the aggregate amount of cash actually received by the Company or any of its subsidiaries as a dividend or other distribution, (b) the income (or loss) of any Person accrued prior to the date it became a Subsidiary of the Company or is merged into or consolidated with the Company or any of its subsidiaries, (c) non-recurring gains (or losses), and (d) the income of any Subsidiary to the extent that the declaration or payment of dividends or distributions by such Subsidiary is prohibited by operation of the terms of its charter or any agreement, instrument, judgment, decree, statute, rule or governmental regulation applicable to such Subsidiary.

"Consolidated Unfunded Capital Expenditures" means, for any period, Capital Expenditures of the Company and its Subsidiaries, on a consolidated basis, that are not financed with the proceeds of Indebtedness (other than a Revolving Borrowing) or Capitalized Lease Obligations, in each case, except to the extent reimbursed to the Company or its Subsidiaries by a landlord (which is not a Loan Party) during such period.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings analogous thereto. Without limiting the generality of the foregoing, a Person shall be deemed to be Controlled by another Person if such other Person possesses, directly or indirectly, power to vote 10% or more of the securities having ordinary voting power for the election of directors, managing general partners or any equivalent thereof.

"Controlled Account" means, as the context may require, a commodities account, deposit account and/or securities account that is subject to a Control Agreement (as defined in the Security Agreement) in form and substance reasonably satisfactory to the Administrative Agent.

"Controlled Foreign Corporation" means a controlled foreign corporation within the meaning of Section 957(a) of the Code.

"Copyright Security Agreement" has the meaning set forth in the Security Agreement.

"Covered Entity" means any of the following:

(a) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(b) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(c) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Credit Card Issuer" means any person (other than a Loan Party) who issues or whose members issue credit cards, including, without limitation, (a) MasterCard or VISA bank credit or debit cards or other

bank credit or debit cards issued through World Financial Network National Bank, MasterCard International, Inc., Visa, U.S.A., Inc. or Visa International and American Express, Discover, Diners Club, Carte Blanche and (b) the Arhaus Private Label Card and other non-bank credit or debit cards, to the extent issued under non-recourse arrangements and approved by Administrative Agent.

"Credit Card Notifications" means, collectively, the credit card notifications to the Credit Card Issuer or Credit Card Processor, as the case may be, in form and substance satisfactory to Administrative Agent in its Permitted Discretion.

"Credit Card Processor" means any servicing or processing agent or any factor or financial intermediary who facilitates, services, processes or manages the credit authorization, billing transfer and/or payment procedures with respect to any Borrower's sales transactions involving credit card or debit card purchases by customers using credit cards or debit cards issued by any Credit Card Issuer.

"Credit Card Receivables" means each "payment intangible" (as defined in the UCC) together with all income, payments and proceeds thereof, owed by a Credit Card Issuer or Credit Card Processor to a Borrower resulting from charges by a customer of a Borrower on credit or debit cards issued by a Credit Card Issuer in connection with the sale of goods by a Borrower, or services performed by a Borrower, in each case in the ordinary course of its business.

"Credit Parties" means the Administrative Agent and each of the Lenders.

"Customer Credit Liabilities" means at any time, the aggregate remaining value at such time of (a) outstanding gift certificates and gift cards of Borrowers entitling the holder thereof to use all or a portion of the certificate or gift card to pay all or a portion of the purchase price for any Inventory, (b) outstanding merchandise credits of Borrowers, and (c) liabilities in connection with frequent shopping programs of Borrowers.

"Customer Deposit Reserve" means, at any time of determination, with respect to any customer order for goods for which a customer deposit has been paid to any Loan Party, an amount equal to 100% of the aggregate amount needed to fulfill all such customer orders, but excluding the cost of Inventory on hand which has been recognized as "committed" or "sold" on the books and records of the Loan Parties in connection with such order and is treated for all purposes by as having been committed or sold.

"Customer Deposits" means (a) layaway obligations of the Loan Parties and (b) deposits paid by customers of any Loan Party for the purchase of goods or services.

"Customer Sales Order" means the Company's standard Sales Order contract, in the form of Exhibit H.

"Customs Broker Agreement" has the meaning given such term in the definition of "Customs Brokers."

"Customs Brokers" shall mean the persons listed on Schedule 1.1(b) hereto or such other person or persons as may be selected by Borrower Agent after the date hereof and after written notice by Borrower Agent to Administrative Agent who are reasonably acceptable to Administrative Agent to handle the receipt of Inventory within the United States or to clear Inventory through the United Stated Bureau of Customs and Border Protection or other domestic or foreign export control authorities or otherwise perform port of entry services to process Inventory imported by a Borrower from outside the United States (such persons sometimes being referred to herein individually as a "Customs Broker"), provided, that, as to each such person, (a) Administrative Agent shall have received a customs broker agreement by such person in favor

of Administrative Agent (in form and substance satisfactory to Administrative Agent) duly authorized, executed and delivered by such person (each, a "Customs Broker Agreement"), (b) such agreement shall be in full force and effect and (c) such person shall be in compliance in all material respects with the terms thereof.

"Debtor Relief Laws" means the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

"Default" means any event or condition which constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means, with respect to any Loans and other Obligations, the rate of interest otherwise applicable thereto plus 3.00% per annum.

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"Defaulting Lender" means, subject to Section 2.7(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower Agent in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower Agent or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower Agent, to confirm in writing to the Administrative Agent and the Borrower Agent that it will comply with its prospective funding obligations hereunder, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower Agent, or (d) has, or has a direct or indirect holding company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect holding company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.7(b)) upon delivery of written notice of such determination to the Borrower Agent and each Lender.

"Designated Account" means Borrower Agent's account #210231921 maintained at JPMorgan Chase Bank, N.A. (or such other deposit account of the Borrower Agent that has been designated as such, in writing, by the Borrower Agent to the Administrative Agent).

"Determination Date" means the Closing Date and the first Business Day of each calendar month thereafter.

"Disposition" means, with respect to any Person, the sale, transfer, license, lease or other disposition (including by way of Division, Sale Leaseback or any sale or issuance of Equity Interests by way of a merger or otherwise) by such Person to any other Person, with or without recourse, of (a) any notes, Accounts, Credit Card Receivables, or any rights and claims associated therewith, (b) any Equity Interests of any Subsidiary (other than directors' qualifying shares), or (c) any other assets. Each of the terms "Dispose" and "Disposed" when used as a verb shall have an analogous meaning.

"Disqualified Equity Interest" means, with respect to any Person, any Equity Interest of such Person which, by its terms, or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable, or upon the happening of any event or condition, (a) matures or is mandatorily redeemable (other than solely for shares of common stock) pursuant to a sinking fund obligation or otherwise, (b) is redeemable at the option of the holder thereof (other than solely for shares of common stock), in whole or in part, (c) provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is 91 days after the Maturity Date.

"Division" means the division of the assets, liabilities and/or obligations of a Person (the "Dividing Person") among two or more Persons, whether pursuant to a "plan of division" or similar arrangement pursuant to Section 18-217 of the Delaware Limited Liability Company Act or any similar provision under the laws of any other applicable jurisdiction and pursuant to which the Dividing Person may or may not survive.

"Dollars" or "$" refers to lawful money of the United States.

"E-Signature" means the process of attaching to or logically associating with an Approved Electronic Communication an electronic symbol, encryption, digital signature, or process (including the name or an abbreviation of the name of the party transmitting the Approved Electronic Communication) with the intent to sign, authenticate, or accept such Approved Electronic Communication.

"Early Opt-in Election" means the occurrence of:

(a) (i) a determination by the Administrative Agent or (ii) a notification by the Required Lenders to the Administrative Agent (with a copy to Borrower Agent) that the Required Lenders have determined that United States dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 3.3(b) are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace LIBOR, and

(b) (i) the election by the Administrative Agent or (ii) the election by the Required Lenders to declare that an Early Opt-in Election has occurred and the provision, as applicable, by the Administrative Agent of written notice of such election to Borrower Agent and the Lenders or by the Required Lenders of written notice of such election to the Administrative Agent.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country that is subject to the supervision of an EEA Resolution Authority, (b) any entity

established in an EEA Member Country that is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country that is a Subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Eligible Assignee" means any Person that meets the requirements to be an assignee under Section 10.4(b)(iii), (v) and (vi) (subject to such consents, if any, as may be required under Section 10.4(b)(iii)).

"Eligible Credit Card Receivable" means those Credit Card Receivables originated by a Borrower in the ordinary course of its business, that arise out of such Borrower's sale of goods or rendition of services, which the Administrative Agent, in its Permitted Discretion, deems to be an Eligible Credit Card Receivable. Without limiting the generality of the foregoing, no Credit Card Receivable shall be an Eligible Credit Card Receivable if:

(a) such Credit Card Receivables does not constitute a "payment intangible" (as defined in the UCC);

(b) such Credit Card Receivable has been outstanding for more than three Business Days after the date of the related sale giving rise to such Credit Card Receivable;

(c) (i) it is not subject to a perfected first-priority security interest in favor of the Administrative Agent (other than unasserted statutory Liens permitted under clause (a) of the definition of "Permitted Encumbrances"), or (ii) the applicable Borrower does not have good and valid title thereto, free and clear of any Lien (other than Permitted Encumbrances), provided that, without limiting clause (d) below, rights of charge back in the ordinary course by Credit Card Issuer or Credit Card Processor shall not be deemed to be a Lien for purposes of this clause (c)(ii);

(d) such Credit Card Receivable is disputed, is with recourse, or with respect to which a claim, counterclaim, offset or chargeback has been asserted (in which case, such Credit Card Receivable shall only be ineligible to the extent of such claim, counterclaim, offset or chargeback);

(e) if a Credit Card Issuer or a Credit Card Processor has the right under certain circumstances to require the Borrowers to repurchase the Credit Card Receivables from such Credit Card Issuer or Credit Card Processor;

(f) such Credit Card Receivable is due from a Credit Card Issuer or a Credit Card Processor which has commenced a voluntary case under any Debtor Relief Laws, or any other petition or other application for relief under Debtor Relief Laws has been filed against the Credit Card Issuer or Credit Card Processor, or if the Credit Card Issuer or Credit Card Processor, as applicable, has failed, suspended business, ceased to be Solvent, or consented to or suffered a receiver, trustee, assignee for the benefit of creditors, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs;

(g) such Credit Card Receivable is due from a Credit Card Issuer or a Credit Card Processor which has sold all or substantially all of its assets;

(h) such Credit Card Receivables is not a valid, legally enforceable obligation of the applicable Credit Card Issuer or a Credit Card Processor with respect thereto;

(i) [reserved];

(j) such Credit Card Receivable indicates any Person other than a Borrower as payee or remittance party;

(k) the applicable Credit Card Issuer or Credit Card Processor is an Affiliate of any Borrower or an employee or agent of any Borrower or any Affiliate of any Borrower;

(l) such Credit Card Receivable is owed in any currency other than Dollars;

(m) the applicable Credit Card Issuer or Credit Card Processor either (i) does not maintain its chief executive office in the United States, or (ii) is not organized under the laws of the United States or any state or province thereof;

(n) the applicable Credit Card Issuer or Credit Card Processor is a creditor of a Borrower, has or has asserted a right of recoupment or setoff, or has disputed its obligation to pay all or any portion of the Credit Card Receivable, solely to the extent of such claim, right of recoupment or setoff, or dispute;

(o) the applicable Credit Card Issuer or Credit Card Processor is a Sanctioned Person or Sanctioned Country;

(p) such Credit Card Receivable is not subject to a Credit Card Notification that has been delivered to the Credit Card Issuer or Credit Card Processor;

(q) (i) such Credit Card Receivable or any contract or agreement relating thereto contravenes any laws, rules or regulations applicable thereto, including, rules and regulations relating to truth-in-lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, and privacy, or (ii) any party to any contract or agreement relating to such Credit Card Receivable is in violation of any such laws, rules or regulations,

(r) such Credit Card Receivable does not conform to all representations, warranties or other provisions in the Loan Documents relating to Credit Card Receivables; or

(s) the Administrative Agent determines in its Permitted Discretion such Credit Card Receivable to be uncertain of collection (including by reason of the Credit Card Issuer's or Credit Card Processor's financial condition) or that such Credit Card Receivable does not meet such other commercially reasonable eligibility criteria for Credit Card Receivables as the Administrative Agent may determine in its Permitted Discretion.

Notwithstanding the foregoing, no Credit Card Receivables acquired through an Acquisition shall be Eligible Credit Card Receivables until such time as the Administrative Agent shall have received and be satisfied with the results of a field examination with respect thereto.

"Eligible In-Transit Inventory" means, as of any date of determination, Inventory of any Borrower which does not qualify as Eligible Inventory solely as a result of clauses (g), (h), or (i) of the definition thereof and a Borrower does not have actual and exclusive possession thereof, but as to which:

(a) such Inventory currently is in transit (whether by vessel, air, or land) from a location outside of the continental United States to a location in compliance with clause (h) of the definition of Eligible Inventory,

(b) title to such Inventory has passed to a Borrower and Administrative Agent shall have received such evidence thereof as it may from time to time require,

(c) such Inventory is insured against types of loss, damage, hazards, and risks, and in amounts, satisfactory to Administrative Agent in its Permitted Discretion, and Administrative Agent shall have received a copy of the certificate of marine cargo insurance in connection therewith in which it has been named as an additional insured and loss payee in a manner acceptable to Administrative Agent,

(d) such Inventory either:

(i) is the subject of a negotiable bill of lading governed by the laws of a state within the United States (A) that is consigned to Administrative Agent or one of its Customs Brokers (either directly or by means of endorsements), (B) that was issued by the carrier (including a non-vessel operating common carrier) in possession of the Inventory that is subject to such bill of lading, and (C) that either is in the possession of Administrative Agent or a Customs Broker (in each case in the continental United States), or

(ii) is the subject of a negotiable forwarder's cargo receipt governed by the laws of a state within the United States and is not the subject of a bill of lading (other than a negotiable bill of lading consigned to, and in the possession of, a consolidator or Administrative Agent, or their respective agents) and such negotiable cargo receipt on its face indicates the name of the Customs Broker as a carrier or multimodal transport operator and has been signed or otherwise authenticated by it in such capacity or as a named agent for or on behalf of the carrier or multimodal transport operator, in any case respecting such Inventory (A) consigned to Administrative Agent or one of its Customs Brokers that is handling the importing, shipping and delivery of such Inventory (either directly or by means of endorsements), (B) that was issued by a consolidator respecting the subject Inventory, and (C) that is in the possession of Administrative Agent or a Customs Broker (in each case in the continental United States),

(e) such Inventory is in the possession of a common carrier (including on behalf of any non-vessel operating common carrier) that has issued the bill of lading or other document of title with respect thereto or the Customs Broker handling the importing, shipping and delivery of such Inventory;

(f) the documents of title related thereto are subject to the valid and perfected first priority Lien of Administrative Agent;

(g) Administrative Agent determines that such Inventory is not subject to (i) any Person's right of reclamation, repudiation, stoppage in transit or diversion or (ii) any other right or claim of any other Person which is (or is capable of being) senior to, or pari passu with, the Lien of Administrative Agent or Administrative Agent determines that any Person's right or claim impairs, or interferes with, directly or indirectly, the ability of Administrative Agent to realize on, or reduces the amount that Administrative Agent may realize from the sale or other disposition of such Inventory;

(h) Borrower Agent has provided (i) a certificate to Administrative Agent that certifies that, to the best knowledge of such Borrower, such Inventory meets all of Borrowers' representations and warranties contained in the Loan Documents concerning Eligible In-Transit Inventory, that it knows of no reason why such Inventory would not be accepted by such Borrower when it arrives in the continental United States and that the shipment as evidenced by the documents conforms to the related order documents, and (ii) upon Administrative Agent's request, a copy of the invoice, packing slip and manifest with respect thereto, or

(i) such Inventory shall not have been in transit for more than 60 days.

"Eligible Inventory" means Inventory of a Borrower which the Administrative Agent, in its Permitted Discretion, deems to be Eligible Inventory. Without limiting the generality of the foregoing, no Inventory shall be Eligible Inventory if:

(a) it is raw materials or work in process; or

(b) it is not in good, new and saleable condition; or

(c) it is slow-moving, obsolete or unmerchantable; or

(d) it does not meet all standards imposed by any Governmental Authority; or

(e) it does not conform in all respects to any covenants, warranties and representations set forth in this Agreement or any other Loan Document; or

(f) it is not at all times subject to the Administrative Agent's duly perfected, first priority security interest (subject, as to first priority status, only to Permitted Encumbrances which have priority under applicable law) or is subject to any Lien that is not a Permitted Encumbrance (other than Liens of the type described in clause (g) of Section 7.2); or

(g) it is situated at a location outside the United States of America; or

(h) it is not situated at a location in compliance with this Agreement, provided that Inventory situated at a location not owned by a Loan Party will be Eligible Inventory only if the Administrative Agent has received a satisfactory Collateral Access Agreement with respect to such location or if the Administrative Agent has established an applicable Reserve; or

(i) it is in transit (other than Inventory that is in transit between locations of the Loan Parties within the United States); or

(j) it consists of packaging materials, supplies, tooling, or samples; or

(k) it consists of spare or replacement parts, samples, displays or display items (except as approved in writing by the Administrative Agent in its sole and absolute discretion following receipt of an updated appraisal as contemplated by the definition of "NOLV"), goods sold "as is" (except as approved in writing by the Administrative Agent in its sole and absolute discretion following receipt of an updated appraisal as contemplated by the definition of "NOLV"), goods that are returned or marked for return, defective or damaged goods, goods held on consignment, or goods which are not of a type held for sale in the ordinary course of business; or

(l) it consists of "Special Order" or "One-of-a-Kind" goods (as described in any Customer Sales Order) or any other goods which are subject to a Customer Deposit equal to 100% of the purchase price of such goods;

(m) it consists of a discontinued product or component thereof; or

(n) which is the subject of a consignment by the applicable Borrower as consignor;

(o) which contains or bears any intellectual property rights licensed to the applicable Loan Party unless the Administrative Agent is satisfied in its Permitted Discretion that it may sell or otherwise dispose of such Inventory without (i) the consent of each applicable licensor, (ii) infringing the rights of such licensor, (iii) violating any contract with such licensor, or (iv) incurring any liability with respect to payment of royalties other than royalties incurred pursuant to sale of such Inventory under the current licensing agreement;

(p) it is not otherwise acceptable to the Administrative Agent in its Permitted Discretion.

Notwithstanding the foregoing, no Inventory acquired through an Acquisition shall be Eligible Inventory until such time as the Administrative Agent shall have received and be satisfied with the results of a field examination and inventory appraisal with respect thereto.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, claims, liens, notices of liability, non-compliance or violation, investigations, proceedings, settlements, consent decrees, consent orders, consent agreements and all costs and liabilities relating to or arising from or under any Environmental Law, including (a) any and all claims by Governmental Authorities for enforcement, investigation, corrective action, cleanup, removal, response, remedial or other actions, cost recovery, damages, natural resource damages or penalties pursuant to or arising under any Environmental Law, (b) any and all claims by any one or more Persons seeking damages, contribution, restitution, indemnification, cost recovery, compensation or injunctive relief directly or indirectly resulting from, based upon or arising under Environmental Law, pertaining to Hazardous Materials or an alleged injury or threat of injury to human health, safety, natural resources, or the indoor or outdoor environment, and (c) all liabilities contingent or otherwise, expenses, obligations, losses, damages, fines and penalties arising under any Environmental Law.

"Environmental Law" means, individually and collectively any and all federal, state, local, or foreign statute, rule, regulation, code, guidance, ordinance, order, judgment, directive, decree, injunction or common law as now or previously in effect and regulating, relating to or imposing liability or standards of conduct concerning: the environment; protection of the environment and natural resources; air emissions; water discharges; noise emissions; the Release, threatened Release or discharge into the environment and physical hazards of any Hazardous Material; the generation, handling, management, treatment, storage, transport or disposal of any Hazardous Material or otherwise concerning pollution or the protection of the outdoor or indoor environment, preservation or restoration of natural resources, employee or human health or safety, and potential or actual exposure to or injury from Hazardous Materials.

"Environmental Liability" means, in respect of any Person, any statutory, common law or equitable liability, contingent or otherwise of such Person directly or indirectly resulting from, arising out of or based upon (a) the violation of any Environmental Law or Environmental Permit, or (b) an Environmental Claim.

"Environmental Permit" means any permit, approval, authorization, certificate, license, variance, filing or permission required by or from any Governmental Authority pursuant to any Environmental Law.

"Equipment" means "equipment" as defined in Article 9 of the UCC.

"Equity Interests" means, with respect to any Person, (a) all shares of capital stock of (or other ownership or profit interests in) such Person, (b) all warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, (c) securities (other than Indebtedness) convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and (d) all other ownership or profit

interests in such Person (including partnership, member or trust interests therein), whether voting or non-voting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"Equity Issuance" means the issuance of any Equity Interest by any Loan Party or any of its Subsidiaries, or the receipt by any Loan Party or any of its Subsidiaries of any capital contribution, other than (a) any such issuance to, or any such receipt from, any Borrower or a Guarantor, (b) any issuance of (i) restricted Equity Interests by the Company for executive compensation, or in connection with any other employee stock ownership plan, in either case in the ordinary course of business or (ii) any directors qualifying shares, or (c) in the event that any Loan Party or any of its Subsidiaries forms any Subsidiary in accordance with the terms hereof, the issuance by such Subsidiary of Equity Interests to such Loan Party or such Subsidiary, as applicable.

"ERISA" means the Employee Retirement Income Security Act of 1974, and the rules and regulations issued thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with any Loan Party, is treated as a single employer under Section 414(b) or 414(c) of the Code or, solely for purposes of Sections 302 and 303 of ERISA and Sections 412 and 430 of the Code, is treated as a single employer under subsection (b), (c), (m) or (o) of Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043(c) of ERISA with respect to a Pension Plan; (b) the existence with respect to any Pension Plan of a non-exempt "prohibited transaction," as defined in Section 406 of ERISA or Section 4975(c)(1) of the Code; (c) any failure of any Pension Plan to satisfy the "minimum funding standard" applicable to such Pension Plan under Section 412 or Section 430 of the Code or Section 302 or Section 303 of ERISA, whether or not waived; (d) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Pension Plan, the failure to make by its due date a required installment under Section 430(j)(3) of the Code with respect to any Pension Plan or the failure of any Loan Party or ERISA Affiliate to make any required contribution to any Multiemployer Plan; (e) a determination that any Pension Plan is, or is expected to be, in "at-risk" status (as defined in Section 430(i)(4) of the Code or Section 303(i)(4) of ERISA); (f) the incurrence by any Loan Party or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Pension Plan including the imposition of any Lien in favor of the PBGC or any Pension Plan(other than for PBGC premiums due but not delinquent under Section 4007 of ERISA); (g) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or Section 4041A or ERISA, the receipt by any Loan Party or any ERISA Affiliate from the PBGC or a Pension Plan administrator of any notice relating to an intention to terminate any Pension Plan or Pension Plans or to appoint a trustee to administer any Pension Plan under Section 4042 of ERISA or the occurrence of an event or condition which constitutes grounds under Section 4042 of ERISA or the termination of, or the appointment of a trustee to administrator, any Pension Plan; (h) any limitations under Section 436 of the Code become applicable; (i) the incurrence by any Loan Party or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Pension Plan or Multiemployer Plan; (j) a withdrawal by any Loan Party or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (k) the receipt by any Loan Party or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Loan Party or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA or in endangered or critical status within the meaning of Section 432 of the Code or Section 305 or Title IV of ERISA; or (l) the imposition on any Loan Party or any ERISA Affiliate of any tax under Chapter 43 of Subtitle D of the Code, or the assessment of a civil penalty on any Loan Party or any ERISA Affiliate under Section 502(c) of ERISA.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Event of Default" has the meaning assigned to such term in Section 8.1.

"Excluded Account" has the meaning set forth in the Security Agreement.

"Excluded Swap Obligation" means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor's failure for any reason to constitute an ECP at the time the Guarantee of such Guarantor or the grant of such security interest becomes or would become effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guarantee or security interest is or becomes illegal.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its funding office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loans or Commitments or (ii) such Lender changes its funding office, except in each case to the extent that, pursuant to Section 3.5, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its funding office, (c) Taxes attributable to such Recipient's failure to comply with Section 3.5 (g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Existing Credit Agreement" means the Credit Agreement, dated as of June 26, 2017, among the Company, the Subsidiaries of the Company party thereto, the lenders party thereto, and Monroe Capital Management Advisors, LLC, as agent, as in effect on the date hereof.

"Extraordinary Receipt" means any cash received by or paid to or for the account of any Loan Party or any Subsidiary not in the ordinary course of business, including tax refunds, pension plan reversions, proceeds of insurance (other than proceeds of business interruption insurance to the extent such proceeds constitute compensation for lost revenues), and any purchase price adjustments; provided that "Extraordinary Receipt" shall not include any such cash to the extent such cash is otherwise included in the determination of Net Cash Proceeds with respect to any Casualty Event or Equity Issuance.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

"Federal Funds Effective Rate" means, for any day, a rate per annum (expressed as a decimal, rounded upwards, if necessary, to the next higher 1/100 of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (a) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, (b) if such rate is not so published for any day, the Federal Funds Effective Rate for such day shall be the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it and (c) if the Federal Funds Effective Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Federal Reserve Bank of New York's Website" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

"Fee Letter" means the Fee Letter dated as of the Closing Date by and among the Borrowers and the Administrative Agent.

"Financial Covenants" means the covenants set forth in Section 7.12.

"Financial Officer" means, with respect to any Person, the chief financial officer, principal accounting officer, treasurer or comptroller of such Person (or such other financial officer as is acceptable to the Administrative Agent).

"Fiscal Year" means the 12 fiscal month period of the Company ending on December 31 of each calendar year.

"Flood Laws" means the National Flood Insurance Act of 1968, Flood Disaster Protection Act of 1973, and related laws, rules and regulations, including any amendments or successor provisions.

"Foreign Lender" means a Lender that is not a U.S. Person.

"Fund" means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans, bonds and similar extensions of credit in the ordinary course of its activities.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any department, commission, board, bureau, agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

"Guaranteed Obligations" has the meaning given such term in Article 11.

"Guarantees" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation, provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranteed" has a meaning analogous thereto. The amount of any Guarantee at any time shall be deemed to be an amount equal to the lesser at such time of (i) the stated or determinable amount of the primary obligation in respect of which such Guarantee is made (or, if not stated or determinable, the maximum reasonably anticipated amount of the obligations in respect of which such Guarantee is made) and (ii) the maximum amount for which the guarantor may be liable pursuant to the terms of the instrument embodying such Guarantee.

"Guarantors" has the meaning given such term in the preamble of this Agreement.

"Hazardous Materials" means all substances, wastes, chemicals, pollutants, or other contaminants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, mold, infectious, pharmaceutical or medical wastes and all other substances of any nature that are now or hereafter regulated under any Environmental Law or are now or hereafter defined, listed, classified, considered or described as hazardous, dangerous or toxic by any Governmental Authority or under any Environmental Law.

"Increased Reporting Trigger Event" means either of (a) the occurrence of an Event of Default, or (b) Availability being less than $10,000,000 at any time.

"Increased Reporting Trigger Period" means the period commencing on the occurrence of an Increased Reporting Trigger Event and continuing until the date that (a) no Event of Default shall be continuing and (b) Availability is greater than or equal to $10,000,000 for a period of at least 30 consecutive calendar days.

"Indebtedness" of any Person means, without duplication:

(a) all obligations of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments, including seller paper;

(c) the maximum amount (after giving effect to any prior drawings or reductions which have been reimbursed) of all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, surety bonds, and similar instruments issued or created by or for the account of such Person;

(d) the Swap Termination Value of each Swap Agreement (to the extent reflecting an amount owed by such Person or an amount that would be owing were such Swap Agreement terminated);

(e) the Attributable Indebtedness of such Person in respect of Capitalized Lease Obligations, Synthetic Debt and Synthetic Lease Obligations of such Person (regardless of whether accounted for as indebtedness under GAAP);

(f) all obligations of such Person to pay the deferred purchase price of property or services (other than (i) trade accounts payable in the ordinary course of business and (ii) any purchase price adjustments, earn-out or similar obligations until such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP);

(g) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements and mortgage, industrial revenue bond, industrial development bond and similar financings), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(h) all obligations of such Person in respect of Disqualified Equity Interests;

(i) all obligations of such Person to pay a specified purchase price for goods or services whether or not delivered or accepted (e.g., take or pay obligations) or similar obligations and, without duplication, all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person; and

(j) all Guarantees by such Person of any of the foregoing.

The Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation, company, or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of Indebtedness of any Person for purposes of clause (g) shall be deemed to be equal to the greater of (i) the aggregate unpaid amount of such Indebtedness and (ii) the fair market value of the property encumbered thereby as determined by such Person in good faith.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"Indemnitee" has the meaning assigned to such term in Section 10.3(b).

"Information" has the meaning assigned to such term in Section 10.14(b).

"Information Certificate" means an information certificate in a form acceptable to the Administrative Agent.

"Intellectual Property" has the meaning assigned to such term in the Security Agreement.

"Intercreditor Agreement" means that certain Intercreditor Agreement dated as of the Closing Date among the Second Lien Agent and the Administrative Agent, and acknowledged by each Loan Party, as the same may be amended, restated, supplemented, or otherwise modified from time to time in accordance with the terms thereof.

"Interest Payment Date" means (a) the first day of each month and (b) the Maturity Date.

"Inventory" means "inventory" as defined in Article 9 of the UCC.

"Inventory Reserves" means reserves in such amounts, and with respect to such matters, as the Administrative Agent shall deem necessary or appropriate in its Permitted Discretion, to establish and maintain with respect to Eligible Inventory. Without limiting the generality of the foregoing, Inventory Reserves may, in Administrative Agent's Permitted Discretion, include (but are not limited to) reserves based on (a) shrink; (b) change in Inventory character; (c) change in Inventory composition; (d) change in Inventory mix; (e) mark-downs (both permanent and point of sale); (f) retail mark-downs and mark-ups inconsistent with prior period practice and performance, industry standards, current business plans or advertising calendar and planned advertising events; and (g) out-of-date and/or expired Inventory.

"Investment" means, as to any Person, (a) any Acquisition by such Person, (b) any direct or indirect investment by such Person in another Person, whether by means of the purchase or other acquisition of Equity Interests, debt or other securities of another Person, or (c) any direct or indirect loan, advance or capital contribution to, Guarantee with respect to any Indebtedness or other obligation of, such other Person.

"IRS" means the United States Internal Revenue Service.

"Lenders" means (a) the financial institutions listed on Schedule 2.1 (other than any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Assumption) and (b) any financial institution that has become a party hereto pursuant to an Assignment and Assumption.

"LIBOR" means, for any Determination Date, (a) the rate per annum (rounded upward to the next whole multiple of 1/16 of 1%) equal to the London Interbank Offered Rate as published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by Administrative Agent from time to time) for deposits with a term equivalent to one month in Dollars, determined as of approximately 11:00 a.m. (London, England time) two Business Days prior to such Determination Date or (b) in the event the rate referenced in the preceding clause (a) does not appear on such page or service or if such page or service shall cease to be available, the rate per annum (rounded upward to the next whole multiple of 1/16 of 1%) equal to the rate determined by Administrative Agent to be the offered rate on such other page or other service which displays an average settlement rate for deposits with a term equivalent to one month in Dollars, determined as of approximately 11:00 a.m. (London, England time) two Business Days prior to such Determination Date. Notwithstanding anything contained herein to the contrary, LIBOR shall not be less than 1.50%.

"LIBOR Borrowing" means, as to any Borrowing, the LIBOR Index Rate Loans comprising such Borrowing.

"LIBOR Index Rate" means, for any Determination Date, the rate per annum obtained by dividing (a) LIBOR by (b) an amount equal to (i) one, minus (ii) the Applicable Reserve Requirement.

"LIBOR Index Rate Loan" means a Loan bearing interest based on the LIBOR Index Rate plus the Applicable Margin.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, Capitalized Lease or title retention agreement relating to such asset, and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Line Cap" means, at any time, the lesser of (i) the Revolving Credit Maximum Amount and (ii) the Borrowing Base.

"Loan" means an extension of credit by a Lender to the Borrowers under Article 2 in the form of a Revolving Loan.

"Loan Documents" means, collectively, this Agreement (including the Loan Guaranty), the Revolving Loan Notes, the Fee Letter, the Intercreditor Agreement, the Collateral Documents and each other document entered into in connection herewith.

"Loan Guarantor" means each Loan Party.

"Loan Guaranty" means Article 11 of this Agreement.

"Loan Parties" means, collectively, (a) each Borrower and (b) each Guarantor.

"Margin Stock" has the meaning assigned to such term in Regulation U.

"Master Agreement" has the meaning assigned to such term in the definition of "Swap Agreement."

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, liabilities, prospects or condition, financial or otherwise, of the Loan Parties and their respective Subsidiaries, (b) the legality, validity or enforceability of any Loan Document, (c) the ability of any Loan Party to perform any of its obligations under any Loan Document, or (d) a material impairment of the enforceability or priority of the Administrative Agent's Liens with respect to all or a material portion of the Collateral.

"Material Indebtedness" means, as of any date, an obligation constituting Indebtedness (other than Indebtedness under the Loan Documents) or obligations in respect of one or more Swap Agreements, of any one or more of the Loan Parties or any of their Subsidiaries in an aggregate principal amount exceeding the Threshold Amount. For purposes of determining Material Indebtedness, the "principal amount" of the obligations in respect of any Swap Agreement at any time shall be its Swap Termination Value.

"Maturity Date" means the earlier to occur of (a) the 91st day before the expiration, termination, or maturity of the obligations under the Second Lien Credit Documents and (b) the third anniversary of the Closing Date (as such date may be extended in accordance with Section 2.8, the "Stated Maturity Date"), provided that if such day is not a Business Day, the Maturity Date shall be the Business Day immediately preceding such day.

"Measurement Period" means, at any date of determination, (i) the most recently completed 12 consecutive fiscal months of the Company ending on or prior to such date for which financial statements have been or are required to be delivered pursuant to Sections 6.1(a), 6.1(b), or 6.1(c) or (ii) solely with respect to determining whether the Loan Parties shall have satisfied the condition set forth in Section 7.13(e)(ii)(A), the most recently completed three consecutive fiscal months of the Company ending on or prior to such date for which financial statements have been or are required to be delivered pursuant to Sections 6.1(a), 6.1(b), or 6.1(c).

"Moody's" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"Mortgage Requirement" has the meaning set forth on Schedule 1.1(a).

"Mortgages" means mortgages, deeds of trust, assignments of leases and rents, modifications and other collateral documents delivered pursuant to Section 5.1(f) or Section 6.12, each in form and substance reasonably satisfactory to the Administrative Agent.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" means, with respect to any (a) Disposition or Casualty Event by any Loan Party or any of its Subsidiaries, the cash proceeds (including cash proceeds subsequently received (as and when received) in respect of non-cash consideration initially received and including all insurance settlements and condemnation awards from any single event or series of related events) net of the sum, without duplication, of (i) transaction expenses (including reasonable broker's fees or commissions, legal fees, accounting fees, investment banking fees and other professional fees, transfer and similar taxes and the Borrower Agent's good faith estimate of income taxes paid or payable in connection with the receipt of such cash proceeds), (ii) amounts set aside as a reserve, in accordance with GAAP, including pursuant to any escrow arrangement, against any liabilities under any indemnification obligations associated with such Disposition or Casualty Event, and (iii) the principal amount, premium or penalty, if any, interest and other amounts on any Indebtedness for borrowed money which is secured by a Lien on the asset sold in such Disposition which is senior in priority to the Liens securing Obligations and is required to be repaid with such proceeds (other than any such Indebtedness assumed by the purchaser of such asset), and (b) with respect to any incurrence of Indebtedness or Equity Issuance, the cash proceeds thereof, net of all taxes and customary fees, commissions, costs and other expenses (including reasonable broker's fees or commissions, legal fees, accounting fees, investment banking fees and other professional fees, and discounts and commissions) incurred in connection therewith.

"NOLV" means the net orderly liquidation value of Inventory, expressed as a percentage of book value (calculated at the lower of cost or market on a basis consistent with Borrowers' historical accounting practices) for Inventory, to be realized at an orderly, negotiated sale held within a reasonable period of time, net of all liquidation expenses, as determined from the most recent appraisal of Loan Parties' Inventory performed by an appraiser and on terms satisfactory to the Administrative Agent in its reasonable discretion; provided, that all times before the earliest to occur of (a) the 121st day after the Closing Date and (b) the delivery to the Administrative Agent of an updated appraisal in accordance with the foregoing definition, the NOLV (before giving effect to the advance rates set forth in the definition of "Borrowing Base") for purposes of calculating the Borrowing Base shall equal 85% of the NOLV set forth in the appraisal conducted by Hilco Valuation Services dated February 7, 2020.

"Non-Consenting Lender" means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all or all affected Lenders in accordance with the terms of Section 10.2 and (b) has been approved by the Required Lenders.

"Non-Defaulting Lender" means, at any time, each Lender that is not a Defaulting Lender at such time.

"Obligations" means the due and punctual payment and performance of all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party under or pursuant to each of the Loan Documents or otherwise with respect to any Loan, including, without limitation all principal, interest, fees and other amounts payable under the Loan Documents, and all costs and expenses incurred in connection with enforcement and collection of the foregoing, including the fees, charges and disbursements of counsel, in each case whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising, and including interest, expenses and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest, expenses and fees are allowed claims in such proceeding.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control, and any successor thereto.

"Organizational Documents" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-United States jurisdiction), (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating or limited liability company agreement and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 3.6(b)).

"Overadvance" has the meaning assigned to such term Section 2.2(e).

"Participant" has the meaning assigned to such term in Section 10.4(d).

"Participant Register" has the meaning assigned to such term in Section 10.4(d).

"Patent Security Agreement" has the meaning set forth in the Security Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Pension Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 or Section 430 of the Code or Section 302 or Section 303 of ERISA, and in respect of which any Loan Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Permitted Discretion" means a determination made in the exercise of reasonable (from the perspective of a secured asset-based lender) business judgment.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes, assessments or other governmental charges that are not yet due or are being Properly Contested, provided that enforcement of such Liens is stayed pending such contest;

(b) landlords', vendors', carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue or are being Properly Contested, provided that enforcement of such Liens is stayed pending such contest;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts (other than contracts for the payment of money), leases (other than Capitalized Lease Obligations), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case incurred in the ordinary course of business;

(e) judgment Liens in respect of judgments that do not constitute an Event of Default under Section 8.1(j) and which are being Properly Contested, provided that enforcement of such Liens is stayed pending such contest;

(f) easements, zoning restrictions, rights of way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligation and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Loan Parties and their respective Subsidiaries;

(g) any interest or title of a licensor, sublicensor, lessor or sublessor with respect to any assets under any license or lease agreement entered into in the ordinary course of business, provided that the same do not in any material respect interfere with the business of the Loan Parties or their Subsidiaries or materially detract from the value of the relevant assets of the Loan Parties or its Subsidiaries;

(h) licenses, sublicenses, leases or subleases with respect to any assets granted to third Persons in the ordinary course of business, provided that the same do not in any material respect interfere with the business of the Loan Parties or their Subsidiaries or materially detract from the value of the relevant assets of the Loan Parties or their Subsidiaries;

(i) customary rights of set off, bankers' liens, refunds or charge backs, under deposit agreements, the Uniform Commercial Code or common law, of banks or other financial institutions where any Loan Party or any of such Loan Party's Subsidiaries maintains deposits (other than deposits intended as cash collateral) in the ordinary course of business;

(j) Liens on amounts deposited as "security deposits" (or their equivalent) in the ordinary course of business in connection with actions or transactions not prohibited by this Agreement;

(k) Liens in favor of customs and revenue authorities arising in the ordinary course of business as a matter of law to secure payment of customs duties in connection with the importation of goods;

(l) Liens resulting from the filing of precautionary UCC-1 financing statements (or equivalent) with respect to operating leases; and

(m) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by any Loan Party or any of its Subsidiaries in the ordinary course of business;

provided that the term "Permitted Encumbrance" shall not include any Lien securing Indebtedness.

"Permitted Holders" means, collectively, Homeworks Holdings, Inc., The Reed 2013 GST Trust, and FS Arhaus Holding, Inc., and their respective successors in interest.

"Permitted Tax Distributions" means, subject to the limitations and provisions herein, distributions by the Company to the holders of its Equity Interests on account of income and gain of the Company and its Subsidiaries; provided that (i) such distributions shall not exceed the product of (A) the taxable income of the Company for such period determined as if Homeworks Holdings, Inc. and the John P. Reed 2014 Restatement of Revocable Trust Agreement, dated June 26, 2014, as amended were the sole owners of the Company, reduced by cumulative items of loss and deduction allocated to such deemed owners for the current taxable period and all prior taxable periods or portions thereof (solely to the extent such items of loss or deduction (1) are of the character (e.g., ordinary or capital) that could be used to offset such income or gain, (2) actually could have been used by such equity holder to reduce cash taxes, and (3) have not previously been taking into account in determining distributions under Section 7.8 for such tax year), multiplied by (B) the highest effective marginal federal, state, and local tax rate for individuals or corporations, (ii) such distribution is otherwise permitted under the limited liability company agreement of the Company, and (iii) such distribution may be made not more frequently than quarterly with respect to each period for which an installment of estimated tax would be required to be paid by the holders of Equity Interests in the Company, except that an additional final distribution may be made after the taxable income of the Company has been determined for the final taxable year and distribution may be declared and subsequently made in connection with any termination of the Company's status as a passthrough entity.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Pledge Agreement" means (a) Pledge Agreement, dated as of the Closing Date, by and between the Company and the Administrative Agent and (b) any other pledge agreement executed and delivered after the Closing Date in favor of the Administrative Agent.

"Prepayment Event" means (i) a Disposition (other than, so long as no Cash Dominion Trigger Period exists, any Disposition permitted under clauses (b), (d), (h), (i), (k), and (m) of Section 7.5), (ii) a Casualty Event, (iii) an incurrence of Indebtedness, (iv) an Equity Issuance, and (v) receipt of an Extraordinary Receipt, in each case, by the Company or any of its Subsidiaries.

"Prime Rate" means the U.S. prime rate as shown in the Eastern Edition of The Wall Street Journal on such day, or, if such day is not a Business Day, on the immediately preceding Business Day (and, if the Eastern Edition of The Wall Street Journal for any reason ceases to publish a U.S. prime rate, then the Prime Rate shall be such prime rate as published from time to time in any other publication or reference source designated by the Administrative Agent in its discretion); provided, that the prime rate is a reference rate and does not necessarily represent the best or lowest rate charged by any Lender.

"Pro Forma Basis" means, with respect to any transaction, that such transaction shall be deemed to have occurred as of the first day of the four-quarter period (or 12-month period, as applicable) ending as of the most recent quarter end (or month end, as applicable) preceding the date of such transaction. Each of the terms "Pro Forma Compliance" and "Pro Forma Effect" shall have an analogous meaning.

"Properly Contested" means, with respect to any matter, that such matter is being Properly Contested by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP.

" PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

"QFC Credit Support" has the meaning assigned to it in Section 10.20.

"Qualified ECP Guarantor" means, in respect of any Swap Obligation, each Loan Party that has total assets exceeding $10,000,000 at the time the relevant Loan Guaranty or grant of the relevant security interest becomes or would become effective with respect to such Swap Obligation or such other person as constitutes an "eligible contract participant" under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an "eligible contract participant" at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

"Real Property" means, collectively, all right, title and interest in and to any and all parcels of or interests in real property owned or leased by any Person, together with, in each case, all easements, hereditaments and appurtenances relating thereto, all improvements and appurtenant fixtures and equipment, all general intangibles and contract rights and other property and rights incidental to the ownership thereof.

"Recipient" means the Administrative Agent or any Lender, as applicable.

"Refinancing Indebtedness" means Indebtedness of any Loan Party or its Subsidiaries arising after the Closing Date issued in exchange for, or the proceeds of which are used to extend, refinance, refund, replace, renew, continue or substitute for other Indebtedness (such extended, refinanced, refunded, replaced, renewed, continued or substituted Indebtedness, the "Refinanced Obligations"); provided that (a) the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of the Refinanced Obligations (plus any interest capitalized in connection with such Refinanced Obligations, the amount of prepayment premium, if any, original issue discount, if any, and reasonable fees, costs, and expenses incurred in connection therewith), (b) such Refinancing Indebtedness shall have a final maturity that is no earlier than the final maturity date of such Refinanced Obligations, (c) such Refinancing Indebtedness shall have a Weighted Average Life to Maturity not less than the weighted average life to maturity of the Refinanced Obligations, (d) such Refinancing Indebtedness shall rank in right of payment no more senior than, and be subordinated (if subordinated) to the Obligations on terms not materially less favorable to the Secured Parties than the Refinanced Obligations, (e) as of the date of incurring such Refinancing Indebtedness and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, (f) if the Refinanced Obligations or any Guarantees thereof are unsecured, such Refinancing Indebtedness and any Guarantees thereof shall be unsecured, (g) if the Refinanced Obligations or any Guarantees thereof are secured, (1) such Refinancing Indebtedness and any Guarantees thereof shall be secured by substantially the same or less collateral as secured such Refinanced Obligations or any Guarantees thereof, on terms not materially less favorable to the Secured Parties and (2) the Liens to secure such Refinancing Indebtedness shall not have a priority more senior than the Liens securing the Refinanced Obligations and if subordinated to any other Liens on such property, shall be subordinated to the Administrative Agent's Liens on terms and conditions not materially less favorable to the Secured Parties, (h) the obligors in respect of the Refinanced Obligations immediately prior to such refinancing, refunding, extending, renewing, continuing, substituting or replacing thereof shall be the only obligors on such

Refinancing Indebtedness, and (i) the terms and conditions (excluding as to pricing, premiums and optional prepayment or redemption provisions) of any such Refinancing Indebtedness are not materially less favorable to the Loan Parties than the terms and conditions of the Refinanced Obligations.

"Register" has the meaning assigned to such term in Section 10.4(c).

"Regulation D" means Regulation D of the Board.

"Regulation T, U or X" means Regulation T, U or X, respectively, of the Board.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, members, directors, officers, employees, agents, trustees, administrators, managers, advisors, attorneys-in-fact and representatives of such Person and of such Person's Affiliates.

"Release" means any actual or threatened releasing, spilling, leaking, pumping, pouring, leaching, seeping, emitting, migration, emptying, discharging, injecting, escaping, depositing, disposing, or dumping of Hazardous Materials into the indoor or outdoor environment, including the movement of any Hazardous Material through the air, soil, surface water, groundwater or property and any other conditions resulting in potential or actual human exposure to Hazardous Materials within a structure.

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"Removal Effective Date" has the meaning assigned to such term in Section 9.6(b).

"Required Lenders" means, at any time, two or more unaffiliated Lenders having Total Credit Exposures representing more than 50% of the Total Credit Exposures of all Lenders.

" Reserves" means all Inventory Reserves and Availability Reserves. Administrative Agent shall have the right, at any time and from time to time after the Closing Date in its Permitted Discretion to establish, modify or eliminate Reserves.

"Resignation Effective Date" has the meaning assigned to such term in Section 9.6(a).

"Resolution Authority" means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

"Responsible Officer" means the chief executive officer, president, vice president, chief financial officer, treasurer, assistant treasurer, or other similar officer of a Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

"Restricted Payment" means, as to any Person, (a) any dividend or other distribution by such Person (whether in cash, securities or other property) with respect to any Equity Interests of such Person, (b) any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such Equity Interest, or on account of any return of capital to the holders of Equity Interests of such Person, (c) the acquisition for value by such Person of any Equity Interests issued by such Person or any other Person that Controls such Person, and (d) with respect to clauses (a) through (c), any transaction that has a substantially similar effect.

"Revolving Borrowing" means a Borrowing consisting of Revolving Loans.

"Revolving Commitment" means, with respect to each Revolving Lender, the commitment hereunder of such Revolving Lender to make Revolving Loans in an aggregate outstanding amount not exceeding the amount of such Revolving Lender's Revolving Commitment as set forth on Schedule 2.1 or in the Assignment and Assumption pursuant to which such Revolving Lender shall have assumed its Revolving Commitment in accordance with Section 10.4(b), as applicable, as such Revolving Commitment may be adjusted from time to time pursuant to Section 2.3 or Section 2.8 or pursuant to assignments by or to such Revolving Lender pursuant to Section 10.4.

"Revolving Credit Maximum Amount" means the aggregate amount of the Revolving Commitments at any time, as such amount may be increased or reduced from time to time pursuant to the terms hereof. The initial Revolving Credit Maximum Amount on the Closing Date is $30,000,000.

"Revolving Exposure" means, as to any Lender at any time, the sum of the outstanding principal amount of its Revolving Loans.

"Revolving Lender" means a Lender having a Revolving Commitment or, if the Revolving Commitments have expired or terminated, having Revolving Exposure.

"Revolving Loan" means a loan referred to in Section 2.1(a) and made pursuant to Section 2.2.

"Revolving Loan Note" means with respect to a Revolving Lender, a promissory note evidencing the Revolving Loans of such Lender payable to the order of such Lender substantially in the form of Exhibit D.

"S&P" means Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc.

"Sale Leaseback" means any transaction or series of related transactions pursuant to which any Loan Party or any of its Subsidiaries (a) sells, transfers or otherwise disposes of any property, real or personal, whether now owned or hereafter acquired, and (b) as part of such transaction, thereafter rents or leases such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold, transferred or disposed.

"Sanctioned Country" means any country, territory or region which is itself the subject or target of Sanctions (including, without limitation, currently Crimea, Cuba, Iran, North Korea, and Syria).

"Sanctioned Person" means (a) any Person or group listed in any Sanctions related list of designated Persons maintained by OFAC, including the List of Specially Designated Nationals and Blocked Persons, or the U.S. Department of State, the United Nations Security Council, the European Union or any EU member state, (b) any Person subject to any law that would prohibit all or substantially all financial or other transactions with that Person or would require that assets of that Person that come into the possession of a third-party be blocked (c) any legal entity organized or domiciled in a Sanctioned Country, (d) any agency, political subdivision or instrumentality of the government of a Sanctioned Country, (e) any natural person ordinarily resident in a Sanctioned Country, or (f) any Person 50% or more owned, directly or indirectly, individually or in the aggregate by any of the above.

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State or (b) the United Nations Security Council, the European Union or any European Union member state, Her Majesty's Treasury of the United Kingdom or other relevant sanctions authority.

"Second Lien Agent" means Deutsche Bank Trust Company Americas, in its capacity as disbursing agent and collateral for the lenders party to the Second Lien Credit Agreement.

"Second Lien Credit Agreement" means that certain Credit Agreement, dated as of June 26, 2017, among the Company, the Second Lien Agent, and the lenders from time to time party thereto, as amended by that certain Amendment No. 1 to Credit Agreement dated as of December 7, 2018, as further amended by that certain Amendment No. 2 to Credit Agreement dated as of the Closing Date, and as the same may be further amended, restated, supplemented, or otherwise modified from time to time to the extent permitted by this Agreement.

"Second Lien Credit Documents" means the Second Lien Credit Agreement and each other "Loan Document" (as defined in the Second Lien Credit Agreement as of the Closing Date).

"Second Lien Satisfaction Date" means the date on which all obligations under the Second Lien Credit Agreement have been indefeasibly paid in full, the Second Lien Credit Documents have been terminated and are of no further force and effect, and all Liens held by the Second Lien Agent have been released.

"Secured Parties" means, collectively, (a) the Administrative Agent, (b) each Lender, (c) the beneficiaries of each indemnification obligation undertaken by any Loan Party under any Loan Document and (d) the permitted successors and assigns of each of the foregoing.

"Security Agreement" means the Security Agreement, dated as of the Closing Date, among the Loan Parties and the Administrative Agent.

"SOFR" with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York's Website.

"Solvent" and "Solvency" mean, with respect to any Person on any date of determination, that on such date (a) the fair value of the present assets of such Person and its Subsidiaries, taken as a whole, is not less than the sum of the debt (including contingent liabilities) of such Person and its Subsidiaries, taken as a whole, (b) the present fair salable value of the assets of such Person and its Subsidiaries, taken as a whole, is not less than the amount that will be required to pay the probable liabilities (including contingent liabilities) of such Person and its Subsidiaries, taken as a whole, on their debts as they become absolute and matured, (c) the capital of such Person and its Subsidiaries, taken as a whole, is not unreasonably small in relation to the business of such Person or its Subsidiaries, taken as a whole, contemplated as of such date and (d) such Person and its Subsidiaries, taken as a whole, do not intend to incur, or believe that they will incur, debts (including current obligations and contingent liabilities) beyond their ability to pay such debts as they mature in the ordinary course of business.

"Subsidiary" means, with respect to any Person, as of any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of such Person in such Person's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power is or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by such Person or one or more subsidiaries of such Person.

"Subsidiary Joinder Agreement" means a Subsidiary Joinder Agreement, substantially in the form of Exhibit F, pursuant to which a Subsidiary becomes a party to this Agreement, to the Security Agreement and to each other applicable Loan Document.

"Swap Agreement" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Obligation" means, with respect to any Loan Party, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act.

"Swap Termination Value" means, in respect of any one or more Swap Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Agreements, (a) for any date on or after the date such Swap Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Agreements (which may include a Lender or any Affiliate of a Lender).

"Synthetic Debt" means, with respect to any Person as of any date of determination thereof, all obligations of such Person in respect of transactions entered into by such Person that are intended to function primarily as a borrowing of funds (including any minority interest transactions that function primarily as a borrowing but are not otherwise included in the definition of "Indebtedness" or as a liability on the consolidated balance sheet of such Person and its Subsidiaries in accordance with GAAP).

"Synthetic Lease Obligation" means the monetary obligation of a Person at any time of determination under (i) a so called synthetic, off balance sheet or tax retention lease, or (ii) an agreement for the use or possession of property, in each case, creating obligations that do not appear on the balance sheet of such Person but which could be characterized as the indebtedness of such Person (without regard to accounting treatment) (other than operating leases arising as a result of Sale Leaseback transactions).

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"TB Arhaus" means TB Arhaus, LLC, a Delaware limited liability company.

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"Termination Date" means the date upon which all Commitments have terminated and the Loans and all other Obligations (other than unasserted contingent indemnification and expense reimbursement obligations in each case not yet due and payable), have been paid in full in cash and all contingent obligations have been cash collateralized in a manner reasonably satisfactory the Administrative Agent.

"Threshold Amount" means $2,500,000.

"Total Credit Exposure" means, as to any Lender at any time, the unused Commitments, Revolving Exposure of such Lender at such time.

"Total Revolving Outstandings" means at any time, the aggregate outstanding principal amount of all Revolving Loans at such time.

"Trademark Security Agreement" has the meaning set forth in the Security Agreement.

"Transaction Expenses" means any fees or expenses incurred or paid by the Borrowers, or any Subsidiary in connection with the Transactions, this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby in connection therewith.

"Transactions" means (a) the execution, delivery and performance by each Loan Party of each Loan Document to which it is a party, (b) the borrowing of the Loans, (c) the refinancing of certain existing Indebtedness of the Borrowers**,** and (d) the payment of Transaction Expenses.

"UK Financial Institution" means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended form time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

"UK Resolution Authority" means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

" Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as the same may from time to time be in effect in the State of New York; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"United States" and "U.S." mean the United States of America.

"USA PATRIOT Act" means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"U.S. Tax Compliance Certificate" has the meaning assigned to such term in Section 3.5 (g)(v).

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing: (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by (b) the then outstanding principal amount of such Indebtedness.

"Wingspire" means Wingspire Capital LLC, a Delaware limited liability company.

"Withdrawal Liability" means a liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Withholding Agent" means any Loan Party and the Administrative Agent.

"Write-Down and Conversion Powers" means (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail- In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers..

Section 1.2 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding"; and the word "through" means "to and including." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Any terms used in this Agreement that are defined in the UCC shall be construed and defined as set forth in the UCC unless

otherwise defined herein; provided, that to the extent that the UCC is used to define any term herein and such term is defined differently in different Articles of the UCC, the definition of such term contained in Article 9 of the UCC shall govern.

Section 1.3 Accounting Terms; GAAP.

(a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, applied consistently, except as otherwise specifically prescribed herein.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower Agent or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower Agent shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower Agent shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

Section 1.4 Rounding. Any financial ratios required to be maintained by the Loan Parties pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.5 References to Time. Unless the context otherwise requires, references to a time shall refer to Eastern Standard Time or Eastern Daylight Savings Time, as applicable.

Section 1.6 Resolution of Drafting Ambiguities. Each Loan Party acknowledges and agrees that it was represented by counsel in connection with the execution and delivery of the Loan Documents to which it is a party, that it and its counsel reviewed and participated in the preparation and negotiation hereof and thereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation hereof or thereof.

Section 1.7 Interest. The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definition of “LIBOR” or with respect to any comparable or successor rate thereto.

Section 1.8 Divisions. For all purposes under the Loan Documents, in connection with Division: (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

ARTICLE 2

THE CREDITS

Section 2.1 Commitments.

(a) Revolving Commitments. Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Revolving Lender agrees, severally and not jointly, to make Revolving Loans to the Borrowers in Dollars from time to time until the Termination Date in an aggregate principal amount that will not result in (i) such Revolving Lender's Revolving Exposure exceeding such Revolving Lender's Revolving Commitment, or (ii) the Total Revolving Outstandings exceeding the Line Cap. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

(b) Anything to the contrary in this Section 2.1 notwithstanding, the Administrative Agent shall have the right (but not the obligation) at any time, in the exercise of its Permitted Discretion, to establish and increase or decrease Reserves against the Borrowing Base or the Revolving Credit Maximum Amount.

Section 2.2 Borrowings of Revolving Loans.

(a) Each Revolving Borrowing shall be made upon the Borrower Agent's irrevocable notice to the Administrative Agent. Each such notice must be received by the Administrative Agent not later than 11:00 a.m. on the date of the proposed Borrowing.

(b) Each notice by the Borrower Agent pursuant to Section 2.2(a) shall be made by submitting such request by ABLSoft (or, if requested by the Administrative Agent, by delivering, in writing, a Borrowing Request in the form of Exhibit C) (each such request, a "Borrowing Request"), appropriately completed and signed by a Responsible Officer of the Borrower Agent. Each Borrowing of Revolving Loans shall be in a principal amount of at least $25,000 or a whole multiple of $25,000 in excess thereof. Each Borrowing Request shall specify (A) the requested date of the Borrowing (which shall be a Business Day) and (B) the principal amount of Loans to be borrowed.

(c) Following receipt of a Borrowing Request, the Administrative Agent shall promptly notify each Revolving Lender of the amount of its Applicable Percentage of the requested Revolving Loans, and each Revolving Lender shall make the amount of its Revolving Loan available to the Administrative Agent, by transfer in immediately available funds to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders, not later than 1:00 p.m. on the Business Day specified in the applicable Borrowing Request. Upon satisfaction or waiver of the applicable conditions set forth in Section 4.2 (and, if such Borrowing is the initial Revolving Loan hereunder, Section 4.1), the Administrative Agent shall make all funds so received available to the Borrowers in like funds as received by transfer to the Designated Account.

(d) The failure of any Revolving Lender to make any Revolving Loan required to be made by it shall not relieve any other Revolving Lender of its obligations hereunder, provided that the Commitments of the Lenders are several, and no Lender shall be responsible for any other Lender's failure to make Revolving Loans as required.

(e) Notwithstanding anything herein to the contrary, (i) the Borrower Agent may request, and the Administrative Agent may, in its sole and absolute discretion, make, Revolving Loans to the Borrowers or (ii) the Administrative Agent may, in its sole discretion, make Revolving Loans, on behalf

of the Revolving Lenders, if Administrative Agent, in its Permitted Discretion, deems that such Revolving Loans are necessary or desirable (A) to protect or preserve all or any portion of the Collateral, (B) to enhance the likelihood, or maximize the amount of, repayment of the Obligations, or (C) to pay any other amount chargeable to the Borrowers pursuant to this Agreement, in each case, at a time when the Total Revolving Outstandings exceed, or would exceed with the making of any such Revolving Loan, the Borrowing Base (such Loan or Loans being herein referred to individually as an "Overadvance" and collectively, as "Overadvances"); provided, however, that (x) the aggregate amount of Overadvances outstanding at any time shall not exceed the lesser of (1) 10% of the Borrowing Base or (2) $3,000,000, (y) unless otherwise consented to by the Required Lenders, Overadvances shall not be outstanding for more than 60 consecutive days and (z) unless otherwise consented to by all Revolving Lenders, no Overadvances shall be permitted to the extent that such Overadvances would cause the Total Revolving Outstandings to exceed the Revolving Credit Maximum Amount. All Overadvances shall be repaid on demand, shall be secured by the Collateral and shall bear interest as provided in this Agreement for Revolving Loans generally. Any Overadvance made pursuant to the terms hereof shall be made by all Revolving Lenders ratably in accordance with their respective Applicable Percentages.

Section 2.3 Termination and Reduction of Commitments.

(a) Unless previously terminated, the Revolving Commitments shall terminate on the Termination Date.

(b) Subject to Section 2.5(b)(v), the Borrowers may at any time terminate, or from time to time reduce, the Revolving Commitments, provided that (i) the Borrowers shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment or repayment of the Revolving Loans in accordance with Section 2.5, the sum of the Revolving Exposures of all Revolving Lenders would exceed the aggregate Revolving Commitments, and (ii) each such reduction of the Revolving Commitments shall be in an amount that is an integral multiple of $500,000 and not less than $1,000,000; provided, that unless the Revolving Commitments are being terminated, the Revolving Commitments, after giving effect to any such reduction, shall be in an amount equal to or greater than $20,000,000. Any such termination or reduction of the Revolving Commitments shall be subject to Section 2.5(e). If at any time, as a result of such a partial reduction or termination as provided in this Section 2.3(b), the Revolving Exposure of all Lenders would exceed the aggregate Revolving Commitments, then the Borrowers shall on the date of such reduction or termination of Revolving Commitments, repay or prepay Revolving Loans in an aggregate amount equal to such excess.

(c) In addition to any termination or reduction of the Revolving Commitments under paragraphs (a) and (b) of this Section, the Revolving Commitments shall be reduced as required under Section 2.5(b).

(d) The Borrower Agent shall notify the Administrative Agent of any election to terminate or reduce the Revolving Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying the effective date thereof. Promptly following receipt of any such notice, the Administrative Agent shall advise the Revolving Lenders of the contents thereof. Each notice delivered by the Borrower Agent pursuant to this Section shall be irrevocable, provided that a notice of termination of the Revolving Commitments may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower Agent (by written notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied subject to the Borrowers' obligation to indemnify the Lenders pursuant to Section 3.5. Each reduction, and any termination, of the Revolving Commitments shall be permanent and each reduction of the Revolving Commitments shall be made ratably among the Revolving Lenders in accordance with their respective Revolving Commitments.

Section 2.4 Repayment of Loans; Evidence of Debt.

(a) Payment at Maturity. Each Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Revolving Lender the then unpaid principal amount of each Revolving Loan together with all accrued interest thereon on the earlier of the Maturity Date and, if different, the date of the termination of the Revolving Commitments in accordance with the provisions of this Agreement.

(b) Revolving Loan Notes. Any Lender may request through the Administrative Agent that Loans made by it be evidenced by a promissory note. In such event, the Borrowers shall execute and deliver to such Lender a Revolving Loan Note. In addition, if requested by a Lender, its Revolving Loan Note may be made payable to such Lender and its registered assigns in which case all Loans evidenced by such Revolving Loan Note and interest thereon shall at all times (including after assignment pursuant to Section 10.4) be represented by one or more Revolving Loan Notes in like form payable to the order of the payee named therein and its registered assigns.

(c) Lender Records. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrowers to such Lender resulting from each Loan owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(d) Register. Entries made in good faith by the Administrative Agent in the Register pursuant to Section 10.4(c), and by each Lender in its account or accounts pursuant to Section 2.4(d), shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrowers to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Administrative Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrowers under this Agreement.

Section 2.5 Prepayments.

(a) Optional Prepayments. Revolving Loans may be borrowed, repaid and prepaid, and reborrowed, in each case on the terms and conditions set forth in this Agreement.

(b) Mandatory Prepayments.

(i) Prepayment Events. In the event that any Loan Party or any of its Subsidiaries receives Net Cash Proceeds in respect of any Prepayment Event, then, substantially simultaneously with (and in any event not later than the first Business Day next following) the receipt of such Net Cash Proceeds, the Borrowers shall prepay the Loans in an aggregate principal amount equal to 100% of such Net Cash Proceeds (or, in the case of an Extraordinary Receipt, in an amount equal to 100% of such Extraordinary Receipt); provided, that with respect to any Net Cash Proceeds received in respect of any Disposition or Casualty Event, so long as (A) no Default or Event of Default shall have occurred and is continuing or would result therefrom, (B) Borrowers shall have given Administrative Agent prior written notice of Borrowers' intention to apply such monies to the costs of replacement of the properties or assets that are the subject of such sale or disposition or the cost of purchase or construction of other assets useful in the business of such Loan Party or its Subsidiaries, (C) the monies are held in a Deposit Account in which Administrative Agent has a perfected first-priority security interest, and (D) such Loan Party or its Subsidiary, as applicable, completes such replacement, purchase, or construction within 180 days

after the initial receipt of such monies, then the Loan Party or such Loan Party's Subsidiary whose assets were the subject of such disposition shall have the option to apply such monies to the costs of replacement of the assets that are the subject of such sale or disposition or the costs of purchase or construction of other assets useful in the business of such Loan Party or such Subsidiary unless and to the extent that such applicable period shall have expired without such replacement, purchase, or construction being made or completed, in which case, any amounts remaining in the Deposit Account referred to in clause (C) above shall be paid to Administrative Agent and applied in accordance with Section 2.5(b)(iii); provided further, that no Loan Party nor any of its Subsidiaries shall have the right to use such Net Cash Proceeds to make such replacements, purchases, or construction in excess of $250,000 in any given Fiscal Year. Nothing contained in this Section 2.5(b)(ii) shall permit any Loan Party or any of its Subsidiaries to sell or otherwise dispose of any assets other than in accordance with Section 7.5.

(ii) Application of Mandatory Prepayments. Each mandatory prepayment required to be made pursuant to Section 2.5(b) shall be applied to the prepayment of the Revolving Loans, without a permanent reduction of the Revolving Commitments.

(iii) Notice of Mandatory Prepayment. The Borrower Agent shall deliver to the Administrative Agent, at the time of each prepayment required under this Section 2.5(b), (i) a certificate signed by a Financial Officer of the Borrower Agent setting forth in reasonable detail the calculation of the amount of such prepayment and (ii) to the extent practicable, at least three Business Days' prior written notice of such prepayment.

(c) Prepayments of Revolving Loans. If for any reason the Total Revolving Outstandings (other than any Overadvances to the extent permitted hereunder) at any time exceed the Line Cap then in effect, the Borrowers shall immediately prepay, without premium or penalty, Revolving Loans in an aggregate amount equal to such excess.

(d) General Rules. All prepayments shall be subject to Section 2.5(e) (to the extent applicable) and Section 3.5, but shall otherwise be without premium or penalty. Each prepayment of a Borrowing shall be applied ratably to the applicable Loans of each Lender. All prepayments shall be accompanied by accrued interest thereon and any additional amounts required pursuant to Section 3.5.

(e) Upon any permanent reduction or termination of the Revolving Commitments, Borrowers shall pay to Administrative Agent, for the ratable benefit of Lenders, as liquidated damages for the loss of the bargain and not as a penalty, an amount equal to (i) 3.0% of the amount of the Revolving Commitments so reduced or terminated if such reduction or termination occurs on or prior to the first anniversary of the Closing Date; (ii) 2.0% of the amount of the Revolving Commitments so reduced or terminated if such reduction or termination occurs after the first anniversary of the Closing Date and on or prior to the second anniversary of the Closing Date; and (iii) 1.0% of the amount of the Revolving Commitments so reduced or terminated if such reduction or termination occurs after the second anniversary of the Closing Date and on or prior to the 60th day before third anniversary of the Closing Date.

Section 2.6 Payments Generally; Administrative Agent's Clawback.

(a) General. Each Loan Party shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal of Loans, interest or fees, or of amounts payable under Sections 3.4, 3.5, or 10.3, or otherwise) prior to 1:00 p.m. on the date when due, in immediately available funds. In furtherance of the foregoing, each Borrower hereby irrevocably authorizes the Administrative Agent, in the Administrative Agent's sole discretion, to request on behalf of the Borrowers, Revolving Loans (which shall be Base Rate Loans), in an amount sufficient to pay all principal,

interest, fees, or other amounts from time to time due and payable by any Loan Party to any Credit Party hereunder or under any other Loan Document. All payments to be made by a Loan Party hereunder shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff, without setoff or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent's Payment Office, except that payments pursuant to Sections 3.4, 3.5, or 10.3, shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) Pro Rata Treatment. Except as otherwise provided in this Section 2.8 and as otherwise required under Section 3.4(e), each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of fees, each reduction of the Revolving Commitments shall be allocated pro rata among the Revolving Lenders in accordance with their respective applicable Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar amount.

(c) Administrative Agent's Clawback. (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.2 and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the Revolving Lenders and the Borrowers severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon for each day from and including the date such amount is made available to the Borrowers to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, and (B) in the case of a payment to be made by the Borrowers, the interest rate applicable to Base Rate Loans. If the Borrowers and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrowers the amount of such interest paid by the Borrowers for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrowers shall be without prejudice to any claim the Borrowers may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrowers; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower Agent prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrowers will not make such payment, the Administrative Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders, severally agrees to repay to the

Administrative Agent forthwith on demand the amount so distributed to such Lender, with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(iii) Notice by Administrative Agent. A notice from the Administrative Agent to any Lender or the Borrowers with respect to any amount owing under this paragraph (c) shall be conclusive, absent manifest error.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 10.3(c) are several and not joint. The failure of any Lender to make any Loan or make any payment under Section 10.3(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or to make its payment under Section 10.3(c).

(e) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article 2, and such funds are not made available to the Borrowers by the Administrative Agent because the conditions to the borrowing of Loans set forth in Article 4 are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(f) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(g) Insufficient Payment. Subject to the provisions of Article 8, whenever any payment received by the Administrative Agent under this Agreement or any of the other Loan Documents is insufficient to pay in full all amounts due and payable to the Credit Parties under or in respect of this Agreement and the other Loan Documents on any date, such payment shall be distributed by the Administrative Agent and applied by the Administrative Agent (i) first, towards payment of all fees and expenses due to the Administrative Agent under the Loan Documents, (ii) second, towards payment of all expenses then due hereunder, ratably among the parties entitled thereto in accordance herewith, (iii) third, towards payment of interest, fees and commissions then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest, fees and commissions then due to such parties, and (iv) fourth, towards payment of principal of Loans then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal of Loans then due to such parties.

(h) Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then such Lender shall (x) notify the Administrative Agent of such fact, and (y) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this paragraph shall not be construed to apply to (x) any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant.

The Company consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of each Loan Party in the amount of such participation.

Section 2.7 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article 8 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 10.8 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, [reserved]; third, [reserved]; fourth, as the Borrower Agent may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower Agent, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; sixth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 4.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.7(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. No Defaulting Lender shall be entitled to receive any Commitment Fee for any period during which that Lender is a Defaulting Lender (and the Borrowers shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(b) Defaulting Lender Cure. If the Borrower Agent and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held pro rata by the Lenders in accordance with the Commitments, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

Section 2.8 Extension of Commitments. The Borrower Agent may at any time before the 60th day before the Stated Maturity Date request that all or a portion of the Revolving Commitments, each existing at the time of such request (each, an "Existing Revolving Commitment" and any related Revolving Loans thereunder, "Existing Revolving Loans") be converted to extend the termination date thereof and the scheduled maturity date of any payment of principal with respect to all or a portion of any principal amount of Revolving Loans related to such Existing Revolving Commitments for a period not to exceed 365 days after the existing Maturity Date (any such Existing Revolving Commitments which have been so extended, "Extended Revolving Commitments"), and, subject to each of the terms, conditions, and limitations set forth in the following clause (b), the Administrative Agent and each Revolving Lender hereby agree to such extension; provided, that, notwithstanding anything to the contrary in this Section 2.8 or otherwise, (A) the borrowing and repayment (other than in connection with a permanent repayment and termination of commitments) of Loans with respect to any Existing Revolving Commitments shall be made on a pro rata basis with all other Existing Revolving Commitments and (B) assignments and participations of Extended Revolving Commitments and Extended Revolving Loans shall be governed by the same assignment and participation provisions applicable to Revolving Commitments and the Revolving Loans related to such Commitments set forth in Section 10.4.

(b) The agreement of the Administrative Agent and each Lender to extend the Stated Maturity Date as set forth in clause (a) is expressly subject to the satisfaction of the following conditions: (i) on or before the 60th day before the Stated Maturity Date, the Borrower Agent shall have provided a notice to the Administrative Agent (who shall provide a copy of such notice to each of the Lenders holding the Existing Revolving Commitments) (the "Maturity Date Extension Request"), which notice shall include the requested maturity date of the Extended Revolving Commitments and (ii) on or before the 30th day before the Stated Maturity Date, (A) the conditions set forth in Section 4.2 shall have been satisfied; (B) the Administrative Agent shall have received (1) customary legal opinions, board resolutions and officers' certificates certifying such resolutions, (2) reaffirmation agreements and/or such amendments to the Collateral Documents as may be reasonably requested by the Administrative Agent in order to ensure that the Extended Revolving Commitments are provided with the benefit of the applicable Loan Documents, and (3) such other documents, instruments and agreements as the Administrative Agent may reasonably request; (C) the Borrowers' shall have paid to the Administrative Agent (1) an extension fee (the "Extension Fee") in an amount equal to 1.00% of the Revolving Commitment as of the date of the Maturity Date

Extension Request and (2) all other fees and expenses, including Attorney Costs, in connection with the Extended Revolving Commitments; and (D) the Borrower Agent shall have delivered to the Administrative Agent a certificate of a Responsible Officer certifying the satisfaction of the foregoing conditions.

ARTICLE 3

INTEREST, FEES, YIELD PROTECTION, ETC.

Section 3.1 Interest.

(a) Interest Rate Generally. Subject to Section 3.3(b), each Loan and all other Obligations hereunder shall bear interest at the LIBOR Index Rate plus the Applicable Margin. If any Loan is converted to a Base Rate Loan because of Section 3.3(b), such Base Rate Loan shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

(b) Default Rate.

(i) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrowers hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to the Default Rate to the fullest extent permitted by applicable law.

(ii) Notwithstanding the foregoing, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower Agent (provided that no such notification shall be required, and the following interest shall automatically be payable, in the case of an Event of Default under Sections 8.1(a), (b), (h) or (i)), then, so long as such Event of Default is continuing, all outstanding principal of each Loan shall, without duplication of amounts payable under the preceding sentence, bear interest, after as well as before judgment, at a rate per annum equal to the Default Rate to the fullest extent permitted by applicable law.

(iii) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Adjustment of Interest Rate. The rate of interest on any LIBOR Index Rate Loan shall adjusted on each Determination Date. If any LIBOR Index Rate Loan is converted into a Base Rate Loan because of Section 3.3(b), the rate of interest on such Base Rate Loan shall be adjusted automatically and without notice on and as of any change in the Alternate Base Rate as provided in the definition thereof.

(d) Interest Payment Dates. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and at such other times as may be specified herein, provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand and (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(e) Computation of Interest. All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and, in each case, shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, LIBOR, and LIBOR Index Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent clearly manifest error.

Section 3.2 Fees.

(a) Commitment Fee. Each Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender, a commitment fee (the "Commitment Fee"), which shall accrue at a rate per annum equal to 0.50% times the average daily unused amount of the Revolving Commitment of such Revolving Lender during the period from and including the date on which this Agreement becomes effective pursuant to Section 10.6(a) to but excluding the date on which such Revolving Commitment terminates. For purposes of computing Commitment Fees, the Revolving Commitment of any Revolving Lender shall be deemed to be used to the extent of the aggregate principal amount at such time of its outstanding Revolving Loans. Accrued Commitment Fees shall be payable in arrears on the first day of each month, each date on which the Revolving Commitments are permanently reduced and on the date on which the Revolving Commitments terminate, commencing on the first such date to occur after the Closing Date. All Commitment Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed.

(b) Collection Days. Each Borrower agrees to pay to the Administrative Agent a fee equal to the additional interest that the Borrowers would have paid in respect of the Revolving Loans, at the LIBOR Index Rate plus the Applicable Margin, as if each uncollected check had not been received in the collection account and credited to the Borrowers until the earlier of (i) the date that such check is actually collected and (ii) three Business Days after the Business Day that such check was actually received in the collection account. Such fee will accrue at all times (including during any Cash Dominion Trigger Period) and be payable be payable monthly in arrears.

(c) Other Fees. Each Borrower agrees to pay to the Administrative Agent fees and other amounts payable in the amounts and at the times separately agreed upon between the Borrowers and the Administrative Agent (including, without limitation, those set forth in the Fee Letter).

(d) Payment of Fees Generally. All fees and other amounts payable hereunder shall be paid on the dates due, in immediately available funds. Fees and other amounts paid shall not be refundable under any circumstances.

Section 3.3 Alternate Rate of Interest.

(a) Temporary Unavailability of LIBOR. Subject to Section 3.3(b) below, if:

(i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining LIBOR; or

(ii) the Administrative Agent is advised by Required Lenders that LIBOR will not adequately and fairly reflect the cost of making or maintaining their Loans included in such Borrowing;

then the Administrative Agent shall give notice thereof to the Borrower Agent and the Lenders as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower Agent and the Lenders that the circumstances giving rise to such notice no longer exist, all Obligations shall commence bearing interest at the Alternate Base Rate plus the Applicable Margin.

(b) Effect of Benchmark Transition Event.

(i) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, Administrative Agent and Borrower Agent may amend this Agreement to replace LIBOR with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth Business Day after Administrative Agent has posted such proposed amendment to all Lenders and Borrower Agent so long as Administrative Agent has not received, by such time, written notice of objection to such amendment from Lenders comprising the Required Lenders. Any such amendment with respect to an Early Opt- in Election will become effective on the date that Lenders comprising the Required Lenders have delivered to Administrative Agent written notice that such Required Lenders accept such amendment. No replacement of LIBOR with a Benchmark Replacement pursuant to this Section 3.3(b) will occur prior to the applicable Benchmark Transition Start Date.

(ii) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(iii) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify Borrower Agent and the Lenders of (1) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (2) the implementation of any Benchmark Replacement, (3) the effectiveness of any Benchmark Replacement Conforming Changes and (4) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by Administrative Agent or Lenders pursuant to this Section 3.3(b) including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 3.3(b).

(iv) Benchmark Unavailability Period. Upon Borrower Agent's receipt of notice of the commencement of a Benchmark Unavailability Period, Borrower Agent may revoke any request for a LIBOR Borrowing of LIBOR Index Rate Loans to be made during any Benchmark Unavailability Period and, failing that, Borrower Agent will be deemed to have converted any such request into a request for a Borrowing of Base Rate Loans. During any Benchmark Unavailability Period, the component of Alternate Base Rate based upon LIBOR will not be used in any determination of the Alternate Base Rate.

Section 3.4 Increased Costs; Illegality.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, liquidity, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the LIBOR Index Rate);

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making or maintaining any Loan or of maintaining its obligation to make any such Loan, or to reduce the amount of any sum received or receivable by such Lender or other Recipient hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or other Recipient, the Borrowers will pay to such Lender or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender to a level below that which such Lender could have achieved but for such Change in Law (taking into consideration such Lender's policies with respect to capital adequacy and liquidity), then from time to time the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender as specified in paragraph (a) or (b) of this Section and delivered to the Borrower Agent shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within ten days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower Agent of the Change in Law giving rise to such increased costs or reductions, and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Illegality. Notwithstanding any other provision of this Agreement but subject to Section 3.3(b), if, after the Closing Date, any Change in Law shall make it unlawful for any Lender to make or maintain any LIBOR Index Rate Loan or to give effect to its obligations as contemplated hereby with respect to any LIBOR Index Rate Loan, then, by written notice to the Borrower Agent and to the Administrative Agent:

(i) such Lender may declare that LIBOR Index Rate Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder, whereupon any request for a Borrowing shall, as to such Lender only, be deemed a request for an Base Rate Loan unless such declaration shall be subsequently withdrawn; and

(ii) such Lender may require that all outstanding LIBOR Index Rate Loans made by it be converted to Base Rate Loans, in which event all such LIBOR Index Rate Loans shall be automatically converted to Base Rate Loans, as of the effective date of such notice as provided in the last sentence of this paragraph.

In the event any Lender shall exercise its rights under clause (i) or (ii) of this paragraph, all payments and prepayments of principal that would otherwise have been applied to repay the LIBOR Index Rate Loans that would have been made by such Lender or the converted LIBOR Index Rate Loans of such Lender shall instead be applied to repay the Base Rate Loans made by such Lender in lieu of, or resulting from the conversion of, such LIBOR Index Rate Loans, as applicable. For purposes of this paragraph, a notice to the Borrower Agent by any Lender shall be effective as to each LIBOR Index Rate Loan made by such Lender on the date of receipt by the Borrower Agent.

Section 3.5 Taxes.

(a) Defined Terms. For purposes of this Section 3.5, the term "applicable law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Loan Parties. Each of the Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Loan Parties. Each of the Loan Parties shall jointly and severally indemnify each Recipient, within ten days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower Agent by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error. Each of the Loan Parties shall also, and does hereby, jointly and severally indemnify the Administrative Agent, and shall make payment in respect thereof within ten days after demand therefor, for any amount which a Lender for any reason fails to pay indefeasibly to the Administrative Agent as required pursuant to Section 3.5(e)(ii).

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any

Taxes attributable to such Lender's failure to comply with the provisions of Section 10.4(d) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 3.5, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower Agent and the Administrative Agent, at the time or times reasonably requested by the Borrower Agent or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower Agent or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower Agent or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower Agent or the Administrative Agent as will enable the Borrower Agent or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.5 (g)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a U.S. Person shall deliver to the Borrower Agent and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (A) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN

or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (B) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (A) a certificate substantially in the form of Exhibit G-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of any Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a " U.S. Tax Compliance Certificate") and (B) executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, a U.S. Tax Compliance Certificate substantially in the form of Exhibit G- 2 or Exhibit G-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit G-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Agent and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrowers or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower Agent and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower Agent or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower Agent or the Administrative Agent as may be necessary for the Borrowers and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's

obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower Agent and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.5 (including by the payment of additional amounts pursuant to this Section 3.5), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid.

(i) Survival. Each party's obligations under this Section 3.5 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender and the Termination Date.

(j) Confidentiality. Nothing contained in this Section shall require any Credit Party or any other indemnified party to make available any of its Tax returns (or any other information that it deems to be confidential or proprietary) to the indemnifying party or any other Person.

Section 3.6 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.4, or requires the Borrowers to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.5, then such Lender shall (at the request of the Borrower Agent) use reasonable efforts to designate a different funding office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.4 or Section 3.5, as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.4 or if the Borrowers are required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.5 and, in each case, such Lender has declined or is unable to designate a different funding office, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrowers may, at their sole expense and effort, upon notice

to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.4), all of its interests, rights (other than its existing rights to payments pursuant to Section 3.4 or Section 3.5) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that:

(i) unless waived by the Administrative Agent in its sole discretion, the Borrowers shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 10.4;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 3.4 or payments required to be made pursuant to Section 3.5, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable law; and

(v) in the case of any assignment resulting from a Lender becoming a Non- Consenting Lender, the applicable assignee shall have consented (or is willing to consent upon becoming a Lender) to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrowers to require such assignment and delegation cease to apply.

ARTICLE 4

CONDITIONS PRECEDENT TO LOANS

Section 4.1 Conditions to Initial Loans. The effectiveness of this Agreement and the obligation of each Lender to make its initial Loans hereunder on the Closing Date is subject to satisfaction or waiver of the following conditions precedent:

(a) Credit Agreement. The Administrative Agent (or its counsel) shall have received a counterpart of this Agreement that, when taken together, bear the signatures of each Loan Party and each Lender.

(b) Revolving Loan Notes. The Administrative Agent shall have received a Revolving Loan Note for each Lender that shall have requested one, signed by the Borrowers.

(c) Legal Opinion. The Administrative Agent shall have received a favorable written opinion (addressed to the Credit Parties and dated the Closing Date) from BakerHostetler, special counsel to the Loan Parties, in form, scope and substance satisfactory to the Administrative Agent.

(d) Diligence. Administrative Agent shall have completed its business, legal, and collateral due diligence, including (i) meetings with key management and shareholders, (ii) an inspection of each of the locations where Borrowers' and their respective Subsidiaries' Inventory is located, and (iii) a review of Borrowers' and their respective Subsidiaries' material agreements, in each case, the results of which shall be satisfactory to Administrative Agent;

(e) Officer's Certificates. The Administrative Agent shall have received a certificate of a Responsible Officer of each Loan Party, dated the Closing Date, (i) attesting to the resolutions of such Loan Party's board of directors or managers authorizing its execution, delivery, and performance of the Loan Documents to which it is a party, (ii) authorizing specific officers of such Loan Party to execute the same, (iii) attesting to the incumbency and signatures of such specific officers of such Loan Party, (iv) attaching copies of such Loan Party's Organizational Documents, and (v) attaching copies of a certificate of status with respect to such Loan Party, dated within 30 days of the Closing Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such Loan Party, which certificate shall indicate that such Loan Party is in good standing in such jurisdiction (or other similar status, as applicable).

(f) Fees and Expenses. Substantially contemporaneously with the making of the Loans to be made on the Closing Date, the Borrowers shall have paid all fees and expenses that under the terms hereof or of the Fee Letter are due and payable on or prior to the Closing Date, as well as the reasonable fees, disbursements and other charges of counsel to the Administrative Agent in connection with the Transactions to the extent invoiced on or prior to the Closing Date.

(g) Collateral and Guarantee Requirement.

(i) The Collateral Documents set forth in Schedule 4.1(g) shall have been duly executed and/or delivered by each Loan Party that is to be a party thereto and shall be in full force and effect. The Administrative Agent on behalf of the Secured Parties shall have a security interest in the Collateral of the type and the priority described in each such Collateral Document; and

(ii) The Administrative Agent shall have received an Information Certificate with respect to each Loan Party dated the Closing Date, duly executed by a Responsible Officer of the Borrower Agent and shall have received the results of a search of the Uniform Commercial Code filings (or equivalent filings) made with respect to the Loan Parties in the states (or other jurisdictions) of formation of such persons, in each case as indicated on such Information Certificate, together with copies of the financing statements (or similar documents) disclosed by such search, and accompanied by evidence satisfactory to the Administrative Agent that the Liens indicated in any such financing statement (or similar document) would be permitted under Section 7.2 or have been or will be contemporaneously released or terminated.

(iii) The Administrative Agent shall have received, reviewed and be satisfied with (A) an appraisal of the Loan Parties' Inventory by Hilco Valuation Services dated February 7, 2020 (and the Administrative Agent shall have received an assignment of such appraisal in form and substance satisfactory to the Administrative Agent) and (B) a field examination of the Collateral (which appraisals and field examination shall have been performed, at the Borrowers' expense, by appraisers and a field examination firm satisfactory to the Administrative Agent).

(h) Administrative Agent shall have completed (i) Patriot Act searches, OFAC/PEP searches and customary individual background checks for each Loan Party, and (ii) OFAC/PEP searches and customary individual background searches for each Loan Party's senior management and key principals, the results of which shall be satisfactory to Administrative Agent.

(i) Solvency Certificate. The Administrative Agent shall have received a solvency certificate attesting to the Solvency of each Loan Party and its Subsidiaries on the Closing Date immediately before and after giving effect to the Transactions, from the chief financial officer the Borrower Agent.

(j) Funds Flow. The Administrative Agent shall have received a completed Borrowing Request and Funds Flow Agreement, duly executed by a Responsible Officer of the Borrower Agent with respect to the Loans to be made on the Closing Date.

(k) Insurance. The Administrative Agent shall have received evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect and that the Administrative Agent has been named as lender's loss payee and/or additional insured, as applicable, under each insurance policy with respect thereto and all endorsements thereto have been delivered, in each case, in accordance with the terms of the Loan Documents, and the Administrative Agent is otherwise satisfied with all of the insurance arrangements of the Loan Parties and their Subsidiaries. The Administrative Agent shall have received a collateral assignment of each business interruption insurance policy maintained by the Borrowers, in form and substance satisfactory to the Administrative Agent.

(l) Pro-Forma Compliance Certificate. The Administrative Agent shall have received a certificate, dated the Closing Date and signed by a Financial Officer of the Company**,** setting forth reasonably detailed calculations demonstrating compliance with the Financial Covenants on a Pro Forma Basis immediately after giving effect to the Transactions occurring on the Closing Date.

(m) USA PATRIOT Act; KYC. At least five days prior to the Closing Date, each Lender shall have received:

(i) any and all documentation and other information requested by such Lender in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including the USA PATRIOT Act; and

(ii) to the extent any Loan Party constitutes a "legal entity customer" under the Beneficial Ownership Regulation, a completed Beneficial Ownership Certification in relation to the Borrower.

(n) Financial Statements. The Administrative Agent shall have received (i) audited consolidated financial statements of the Company for the 2018 through 2019 Fiscal Years and (ii) unaudited interim consolidated financial statements of the Company for each fiscal month and quarter ended after the date of the latest applicable financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available, and such financial statements shall not, in the reasonable judgment of the Administrative Agent, reflect any material adverse change in the consolidated financial condition of the Company, as reflected in the audited, consolidated financial statements described in clause (i) of this paragraph.

(o) Projections. The Administrative Agent shall have received a business plan for the Loan Parties which includes monthly projections through December, 2021, which projections shall be satisfactory to the Administrative Agent in form and substance and will include, but not be limited to, an income statement, balance sheet, cash flow, and Availability model.

(p) Legal Impediments. No law or regulation shall be applicable that restrains, prevents or imposes materially adverse conditions upon this Agreement or the Loans made hereunder.

(q) No Material Adverse Effect. There shall not have occurred a Material Adverse Effect or any event or circumstance that could reasonably be expected to result in a Material Adverse Effect and the Administrative Agent shall have received a certificate of a Financial Officer of the Company to the foregoing effect; provided, however, that, solely for the purposes of satisfying this clause (q) and not, for the avoidance of doubt, with respect to any other determination as to whether a Material Adverse Effect has occurred or may occur, or any other usage of such term, the impact of COVID- 19 shall be excluded from the determination of whether a Material Adverse Effect has occurred before the Closing Date.

(r) Closing Certificate. The Administrative Agent shall have received a certificate, dated the Closing Date and signed by a Financial Officer of the Company confirming that the conditions set forth in this Section 4.1 and Section 4.2 shall be satisfied.

(s) Intercreditor Agreement. The Administrative Agent shall have received counterparts to the Intercreditor Agreement, duly executed by the Second Lien Agent and each Loan Party which is a party thereto.

(t) Second Lien Credit Documents. The Administrative Agent shall have received copies of the Second Lien Credit Documents (including, without limitation, an amendment thereto executed on or before the Closing Date in form and substance satisfactory to the Administrative Agent) certified by a Responsible Officer of the Company as being true, complete, and correct as of the Closing Date.

(u) Credit Card Notifications. The Administrative Agent shall have received copies of Credit Card Notifications with respect to each of the Loan Parties' Credit Card Issuers and Credit Card Processors.

(v) Payoff Letters. The Administrative Agent shall have received a letter, in form and substance satisfactory to Administrative Agent, from the agent with respect to the Existing Credit Agreement, addressed to the Company and Administrative Agent, which shall include, among other things, the amount necessary to repay in full all of the obligations of the Company and its Subsidiaries owing with respect to such Indebtedness and a release of all of the Liens existing in favor of any such lender in the assets of the Company and its Subsidiaries, together with termination statements and other documentation evidencing the termination by such lenders of such Liens.

(w) Borrowing Base Certificate / Availability. The Administrative Agent shall have received a Borrowing Base Certificate, dated the Closing Date and signed by a Financial Officer of the Borrower Agent, prepared as of such date as the Administrative Agent may elect, evidencing that, immediately after the making of the initial Loans and after giving effect to the Transactions (including the payment of all Transaction Expenses), Availability shall be at least $10,000,000.

(x) Credit Approval. The Lenders shall have received credit committee approval for the transactions contemplated by the Agreement.

Section 4.2 Conditions to All Loans. The obligation of each Lender to honor any Borrowing Request is subject to the satisfaction of the following conditions precedent:

(a) Each of the representations and warranties of the Loan Parties set forth in the Loan Documents shall be true and correct in all material respects, in each case on and as of such date as if made on and as of such date, provided that to the extent that such representations and warranties specifically refer

to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided further that any representation and warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates.

(b) No Default or Event of Default shall exist or would result from such proposed Loan or from the application of the proceeds therefrom.

(c) The Administrative Agent shall have received a Borrowing Request in accordance with the requirements hereof.

(d) After giving effect to such proposed Loan, the Total Revolving Outstandings (other than any Overadvances to the extent permitted hereunder) shall not exceed the Line Cap then in effect.

Each Borrowing Request submitted by the Borrower Agent shall be deemed to be a representation and warranty that the conditions specified in Sections 4.2(a), (b), and (d) have been satisfied on and as of the date of the applicable Loan.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES

Each Loan party represents and warrants to the Administrative Agent and the Lenders that:

Section 5.1 Existence, Qualification and Power; Compliance with Laws. Each Loan Party and each of its Subsidiaries (a) is duly incorporated, organized or formed, and validly existing and, where applicable, in good standing under the laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority to (i) own or lease its assets and carry on its business as now conducted and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and, where applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, and (d) has all requisite governmental licenses, authorizations, consents and approvals to operate its business as currently conducted; except in each case referred to in clause (c) or (d), to the extent that failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each of the Company and its Subsidiaries are in compliance with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property and maintains all permits and licenses necessary to conduct its business, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.2 Authorization; No Contravention. The execution and delivery by each Loan Party of each Loan Document to which such Loan Party is a party, and the performance of all of its obligations thereunder, are within such Loan Party's corporate, limited liability company or other analogous powers, have been duly authorized by all necessary corporate, limited liability company or other analogous action, and do not and will not (a) contravene the terms of any of such Person's Organizational Documents, (b) conflict with or result in any breach or contravention of, or the creation of any Lien under (other than under the Loan Documents), or require any payment to be made under (i) any contractual obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any law; except with respect to any conflict, breach or contravention or payment (but not creation of Liens) referred to in clause (b)(i), to the extent that such conflict, breach, contravention or payment could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.3 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, any Loan Party of any Loan Document to which it is a party, or for the consummation of the Transactions, (b) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (c) the perfection or maintenance of the Liens created under the Collateral Documents (including the priority thereof) or (d) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Loan Documents, except for (i) filings and recordings necessary to satisfy the Collateral and Guarantee Requirement, and (ii) the approvals, consents, exemptions, authorizations, actions, notices and filings which have been duly obtained, taken, given or made and are in full force and effect.

Section 5.4 Binding Effect. Each Loan Document has been duly executed and delivered by each Loan Party that is party thereto and constitutes a legal, valid and binding obligation of each such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 5.5 Financial Statements; No Material Adverse Effect.

(a) the Company has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the Fiscal Years ended December 31, 2018, and December 31, 2019, reported on by PriceWaterhouseCoopers LLP, independent public accountants, and (ii) as of and for the fiscal month and the portion of the Fiscal Year ending April 30, 2020, certified by its Financial Officer. Such financial statements:

(i) fairly present in all material respects the financial condition of the Company and its Subsidiaries, as applicable, as of the dates thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the periods covered thereby, subject, in the case of the unaudited financial statements, to normal year-end audit adjustments and the absence of footnotes; and

(ii) show all material Indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries, as applicable, as of the date thereof, including liabilities for Taxes, material commitments and contingent obligations.

(b) Since December 31, 2019, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

Section 5.6 Litigation. Except as set forth on Schedule 5.6, there are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against any Loan Party or, to the knowledge of any Loan Party, threatened against or affecting the Loan Parties or any of their Subsidiaries (a) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (b) that involve or affect, or that purport to or could reasonably be expected to involve or affect, any Loan Document or the Transactions. Since the Closing Date, there has been no change in the status of the matters set forth on Schedule 5.6 that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

Section 5.7 Environmental Matters.

(a) Except as set forth on Schedule 5.7 and except for Environmental Claims which have been fully resolved with no remaining obligations or conditions:

(i) each Loan Party and its Subsidiaries possess all Environmental Permits required under applicable Environmental Law to conduct their respective businesses and are, and within applicable statutes of limitation, have been, in material compliance with the terms of such Environmental Permits. No Loan Party or any of its Subsidiaries has received written notice that any Environmental Permits possessed by any of them will be revoked, suspended or will not be renewed which revocation, suspension or non-renewal could not reasonably be expected to have a Material Adverse Effect;

(ii) the execution and delivery of this Agreement and the consummation by the Loan Parties of the Transactions does not require any notification, registration, reporting, filing, investigation, or environmental response action under any Environmental Law;

(iii) each of the Loan Parties and their Subsidiaries are currently, and within applicable statutes of limitation, have been, in material compliance with all applicable Environmental Law;

(iv) no Loan Party nor any of its Subsidiaries has received (A) notice of any pending or threatened civil, criminal or administrative action, suit, demand, claim, hearing, notice of violation, investigation, notice or demand letter or request for information under any Environmental Law, or (B) notice of actual or potential liability under any Environmental Law including any Environmental Liability that such Loan Party or Subsidiary may have retained or assumed either contractually or by operation of law or of any Environmental Claim, in either case with respect to clauses (A) or (B) that reasonably could be expected to individually or in the aggregate, to result in a Material Adverse Effect. No Loan Party or any of its Subsidiaries has knowledge of any circumstances that reasonably could be expected to result in an Environmental Liability that reasonably could be expected to result in a Material Adverse Effect;

(v) as of the Closing Date: (A) no property or facility currently, or to the knowledge of each Loan Party, formerly owned, operated or leased by any Loan Party or any of its current or former Subsidiaries or, to the knowledge of each Loan Party, by any respective predecessor in interest, and (B) no property at which Hazardous Materials generated, owned or controlled by any Loan Party, any of its present or former Subsidiaries or, to the knowledge of each Loan Party, any predecessor in interest, have been stored, treated or disposed of, have been identified in writing by a Governmental Authority as recommended for or requiring or potentially requiring environmental assessment and/or response actions under Environmental Law;

(vi) (A) there has been no disposal, spill, discharge or Release of any Hazardous Material generated, used, owned, stored or controlled by any Loan Party, any of its Subsidiaries or, to the knowledge of each Loan Party, any predecessor in interest, on, at or under any property currently or formerly owned, leased or operated by any Loan Party, any of its current Subsidiaries or any, to the knowledge of each Loan Party, a predecessor in interest, (B) there are no Hazardous Materials located in, at, on or under such facility or property, or at any other location, in either case (A) or (B), that reasonably could be expected to require investigation, removal,

remedial or corrective measures by any Loan Party or any of its Subsidiaries or that reasonably could result in material liabilities of, or material losses, damages or costs to any Loan Party or any of its Subsidiaries under any Environmental Law, and (C) neither the Loan Parties nor any of their Subsidiaries has retained or assumed any liability contractually or by operation of law with regard to the generation, treatment, storage or disposal of Hazardous Materials or compliance with Environmental Law that could reasonably be expected to result in a Material Adverse Effect;

(vii) (A) there has not been any underground or aboveground storage tank or other underground storage receptacle or related piping, or any impoundment or other disposal area in each case containing Hazardous Materials located on any facility or property currently or formerly owned, leased or operated by any Loan Party or any of its Subsidiaries, and (B) no asbestos or polychlorinated biphenyls have been used or disposed of, or have been located at, on or under any facility or property currently or formerly owned, leased or operated by any Loan Party or any of its Subsidiaries, in either case (A) or (B) except in material compliance with applicable Environmental Laws or as would not result in material Environmental Liability;

(viii) no Lien has been recorded against any properties, assets or facilities currently owned, leased or operated by any Loan Party or any of its Subsidiaries under any Environmental Law.

(b) Since the Closing Date, there has been no change in the status of the matters set forth on Schedule 5.7 that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

(c) The Loan Parties and their Subsidiaries have provided to the Administrative Agent and its authorized representatives all material records and files, including all material assessments, reports, studies, analyses, audits, tests and data in their possession or under their control concerning any Environmental Claim, the existence of Hazardous Materials or any other environmental concern at properties, assets or facilities currently or formerly owned, operated or leased by any Loan Party or any of their present or former Subsidiaries or predecessor in interest, or concerning compliance by any Loan Party or any such Subsidiary with, or liability under any Environmental Law.

Section 5.8 Ownership of Properties; Liens. Each Loan Party and its Subsidiaries (a) has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere in any material respect with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes, (b) owns, or is entitled to use, all trademarks, service marks, trade names, domain names, copyrights, patents, patent rights, technology, software, know-how database rights, design rights and other intellectual property rights material to its business, and the use thereof by the Loan Parties and their respective Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, and (c) except as set forth on Schedule 5.8, enjoys peaceful and undisturbed possession under all material leases to which it is a party and is in compliance in all material respects with all obligations under such material leases.

Section 5.9 Casualty, Etc. Neither the businesses nor the properties of any Loan Party or any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.10 Investment Company Status, Etc. No Loan Party or any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) otherwise subject to any other regulatory scheme limiting its ability to incur debt.

Section 5.11 Taxes. Each Loan Party and its Subsidiaries has timely filed or caused to be filed all federal, provincial, state, municipal, foreign and other Tax returns and reports required to be filed, and have timely paid all federal, provincial, state, municipal, foreign and Taxes levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being Properly Contested. Except as set forth on Schedule 5.11, there are no material Tax audits, deficiencies, assessments or other claims with respect to any Loan Party or any of its Subsidiaries.

Section 5.12 ERISA.

(a) Each Loan Party and each of its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. No event described in Section 4062(e) of ERISA has occurred and is continuing with respect to any Pension Plan. The present value of all accumulated benefit obligations under each Pension Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Pension Plan and the present value of all accumulated benefit obligations of all underfunded Pension Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Pension Plans.

(b) Each Pension Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the knowledge of the Loan Parties, nothing has occurred which would prevent, or cause the loss of, such qualification. Each Loan Party and ERISA Affiliate has made all required contributions to each Pension Plan subject to Section 412 of the Code, and no application for a funding waiver pursuant to Section 412 of the Code has been made with respect to any Pension Plan.

(c) There are no pending or, to the knowledge of the Loan Parties, threatened claims, actions, or lawsuits, or action by any Governmental Authority, with respect to any Pension Plan, as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect. There has been no violation of the fiduciary responsibility rules of ERISA with respect to any Pension Plan.

(d) No Loan Party or ERISA Affiliate (i) has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA), (ii) has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 of ERISA with respect to a Multiemployer Plan, and (iii) has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA.

(e) No such Pension Plan or trust created thereunder, or party in interest (as defined in Section 3(14) of ERISA), or any fiduciary (as defined in Section 3(21) of ERISA), has engaged in a "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) which would subject such Pension Plan or any other plan of any Loan Party or any of its ERISA Affiliates,

any trust created thereunder, or any such party in interest or fiduciary, or any party dealing with any such Pension Plan or any such trust, to any material penalty or tax on "prohibited transactions" imposed by Section 502 of ERISA or Section 4975 of the Code.

Section 5.13 Subsidiaries; Equity Interests. As of the Closing Date, no Loan Party has any direct or indirect Subsidiaries or investments in, or joint ventures or partnerships with, any Person, except as disclosed in Schedule 5.13. Such Schedule sets forth (a) the name and jurisdiction of organization or incorporation of each Subsidiary and (b) the ownership interest of each Loan Party and their respective Subsidiaries in each of their respective Subsidiaries, including the percentage of such ownership. Except as set forth on Schedule 5.13 (and, in any event, subject to the satisfaction of the Administrative Agent), as of the Closing Date, neither any Loan Party nor any of its Subsidiaries has issued any Disqualified Equity Interests and there are no outstanding options or warrants to purchase Equity Interests of any Loan Party or any of its Subsidiaries of any class or kind, and there are no agreements, voting trusts or understandings with respect thereto or affecting in any manner the sale, pledge, assignment or other disposition thereof, including any right of first refusal, option, redemption, call or other rights with respect thereto, whether similar or dissimilar to any of the foregoing. All of the issued and outstanding Equity Interests issued by any Loan Party or any of its Subsidiaries have been duly authorized and issued and are fully paid and non-assessable and are free and clear of all Liens other than Liens permitted by Section 7.2(a) and (g).

Section 5.14 Insurance. Schedule 5.14 sets forth a description of all insurance maintained by or on behalf of the Loan Parties and their Subsidiaries on the Closing Date (including names of carriers, policy number, expiration dates, insurance types and coverage amounts). As of the Closing Date, all premiums in respect of such insurance that are due and payable have been paid.

Section 5.15 Federal Reserve Regulations, Etc. Neither any Loan Party nor any of its Subsidiaries is engaged principally, or as one of their important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock. Immediately before and after giving effect to the making of each Loan, Margin Stock will constitute less than 25% of each Loan Party's assets as determined in accordance with Regulation U. No part of the proceeds of any Loan will be used, directly or indirectly, (a) to purchase, acquire or carry any Margin Stock or for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation T, U or X or (b) for any purpose that would violate any Anti-Corruption Laws, Anti-Money Laundering Laws, or applicable Sanctions.

Section 5.16 Collateral Documents. The Security Agreement, upon execution and delivery thereof by the parties thereto, will create in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral (as defined in the Security Agreement) and the proceeds thereof and (i) when the Pledged Equity (other than uncertificated Equity Interests) and the Pledged Notes (as each such term is defined in the Security Agreement) are delivered to the Administrative Agent together with the proper endorsements, the Lien created under Security Agreement shall constitute a fully perfected first priority Lien on, and security interest in, all right, title and interest of the Loan Parties in such Pledged Equity and Pledged Debt Securities, in each case superior in right to any other Lien or right of any other Person, other than Liens expressly permitted by Section 7.2 which by operation of law or contract have priority over the Liens securing the Obligations, and (ii) when financing statements in appropriate form are filed in the offices specified on Schedule 5.16(a) and, with respect to Collateral consisting of Intellectual Property, when the Security Agreement (or Copyright Security Agreement(s), Patent Security Agreement(s) and/or Trademark Security Agreement(s), as applicable) are filed with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, and in each case, all applicable filing fees have been paid, the Lien created under the Security Agreement will constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Collateral, in each case superior in right to any other Lien or right of any other Person, other than Liens expressly permitted by Section 7.2 which by operation of law or contract have priority over the Liens securing the Obligations.

Section 5.17 Solvency. Immediately before and after the consummation of the Transactions, each of the Loan Parties and its Subsidiaries are Solvent.

Section 5.18 Anti-Corruption Laws; Sanctions; Anti-Terrorism Laws.

(a) Each Loan Party, its Subsidiaries and their respective officers, employees, directors and agents, are in compliance with Anti-Corruption Laws, Anti-Money Laundering Laws, and applicable Sanctions. None of the Loan Parties, any of their Subsidiaries or any director, officer, employee, agent, or affiliate of any Loan Party or any of its Subsidiaries is an individual or entity that is, or is owned or controlled by, a Sanctioned Person or is located, organized or resident in a country or territory that is a Sanctioned Country. Each Loan Party and each of its Subsidiaries has implemented and maintains in effect policies and procedures reasonably designed to ensure compliance by such Loan Party, its Subsidiaries and their respective directors, officers, employees and agents with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws, and Sanctions.

(b) The Borrowers will not, directly or indirectly, use the proceeds of any Loan or other transaction contemplated hereby or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of funding, is the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person. Neither the making of the Loans or other transactions contemplated hereby nor the use of the proceeds thereof will violate Anti-Corruption Laws, Anti-Money Laundering Laws or Sanctions. No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the Anti-Corruption Laws.

(c) Borrowers have taken, and shall continue to take until the Loan is fully repaid, such measures as are required by law to assure that the funds used to repay the Loan are derived: (i) from transactions that do not violate United States law nor, to the extent such funds originate outside the United States, do not violate the laws of the jurisdiction in which they originated; and (ii) from permissible sources under United States law and to the extent such funds originate outside the United States, under the laws of the jurisdiction in which they originated.

(d) To the best of Borrowers' knowledge after making due inquiry, neither any Loan Party nor any Person providing funds to Borrowers: (i) is under investigation by any Governmental Authority for, or has been charged with, or convicted of, money laundering, drug trafficking, terrorist related activities, any crimes which in the United States would be predicate crimes to money laundering, or any violation of any Anti-Money Laundering Laws; (ii) has been assessed civil or criminal penalties under any Anti-Money Laundering Laws; or (iii) has had any of its funds seized or forfeited in any action under any Anti-Money Laundering Laws.

(e) Neither the making of the Loans hereunder nor the use of the proceeds thereof will violate the any regulations passed under the USA PATRIOT Act or will violate the Trading with the Enemy Act, the International Emergency Economic Powers Act, or any regulations passed thereunder, including the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V) or any enabling legislation or executive order relating thereto or successor statute thereto (together with Sanctions, "Anti-Terrorism Laws"). Each Loan Party and each of its Subsidiaries are in compliance with applicable Anti-Terrorism Laws.

Section 5.19 Real Property. Schedule 5.19 lists completely and correctly as of the Closing Date all Real Property owned or leased by any Loan Party and the addresses thereof, together with, the name and mailing address of the owner of such Real Property (with respect to leased Real Property). One or more of the Loan Parties own in fee all the real property set forth on Schedule 5.19 which is owned by any Loan Party.

Section 5.20 Accuracy of Information, Etc.

(a) Each Loan Party has disclosed to the Credit Parties all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished in writing by or on behalf of any Loan Party to any Credit Party in connection with the transactions contemplated hereby contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that, with respect to projected financial information, the Loan Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

(b) As of the Closing Date, the information included in the Beneficial Ownership Certification is true and correct in all respects.

Section 5.21 Labor Matters. There are no strikes, lockouts or slowdowns against any Loan Party or any of its Subsidiaries pending or, to the knowledge of any Loan Party, threatened. The hours worked by and payments made to employees of the Loan Parties and their Subsidiaries have not been in violation in any material respect of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters. All material payments due from the Loan Parties or any of their Subsidiaries, or for which any claim may be made against any of the Loan Parties or any of their Subsidiaries, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of such Loan Party or such Subsidiary. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any of the Loan Parties or any of their Subsidiaries is bound.

Section 5.22 Absence of Certain Restrictions. No indenture, certificate of designation for preferred stock, agreement or instrument to which any Loan Party or any of its Subsidiaries is a party (other than this Agreement), prohibits or limits in any way, directly or indirectly the ability of any Subsidiary to make Restricted Payments or loans to, to make any advance on behalf of, or to repay any Indebtedness to, any Loan Party or to another Subsidiary, except as expressly permitted under Section 7.10.

Section 5.23 No Default. No Loan Party nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound in any respect that could reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing.

Section 5.24 Common Enterprise. The successful operation and condition of each of the Loan Parties is dependent on the continued successful performance of the functions of the group of the Loan Parties as a whole and the successful operation of each of the Loan Parties is dependent on the successful performance and operation of each other Loan Party. Each Loan Party expects to derive benefit (and its board of directors or other governing body has determined that it may reasonably be expected to derive

benefit), directly and indirectly, from (a) successful operations of each of the other Loan Parties and (b) the credit extended by the Lenders to the Borrowers hereunder, both in their separate capacities and as members of the group of companies. Each Loan Party has determined that execution, delivery, and performance of this Agreement and any other Loan Documents to be executed by such Loan Party is within its purpose, will be of direct and indirect benefit to such Loan Party, and is in its best interest.

Section 5.25 Brokers' Fees. Except as set forth on Schedule 5.25, none of the Loan Parties or their Subsidiaries has any obligation to any Person in respect of any finder's, broker's, investment banking or other similar fee in connection with any of the transactions contemplated under the Loan Documents other than the closing and other fees payable pursuant to this Agreement and as set forth in the Fee Letter.

Section 5.26 EEA Financial Institutions. No Loan Party is an EEA Financial Institution.

Section 5.27 Credit Card Receivables. With respect to each of the Borrowers' Credit Card Receivables identified by the Borrowers as Eligible Credit Card Receivables, as applicable, in a Borrowing Base Certificate submitted to the Administrative Agent, unless otherwise disclosed to the Administrative Agent in writing:

(a) It is genuine and in all respects what it purports to be, and it is not evidenced by a judgment;

(b) It arises out of a completed, bona fide sale and delivery of goods or rendition of services by a Borrower, in the ordinary course of its business and in accordance with the terms and conditions of all purchase orders, contracts or other documents relating thereto, and it is a bona fide existing payment obligation of the applicable Account Debtor, Credit Card Issuer or Credit Card Processor, as applicable;

(c) It is owed to the applicable Borrower without any known defenses, disputes, offsets, counterclaims, or rights of return or cancellation;

(d) To the Borrowers' knowledge, there are no proceedings or actions which are threatened or pending against the applicable Account Debtor, Credit Card Issuer or Credit Card Processor which might result in any material adverse change in such Person's financial condition or the collectibility of such Credit Card Receivable; and

(e) It is not excluded as ineligible by virtue of one or more of the excluding criteria (other than any Administrative Agent-discretionary criteria) set forth in the definition of Eligible Credit Card Receivable.

Section 5.28 Inventory. With respect to each item of the Borrowers' Inventory identified by the Borrowers as Eligible Inventory in a Borrowing Base Certificate submitted to the Administrative Agent, unless otherwise disclosed to the Administrative Agent in writing, such Inventory is (a) of good and merchantable quality, free from known defects, and (b) not excluded as ineligible by virtue of one or more of the excluding criteria (other than any Administrative Agent-discretionary criteria) set forth in the definition of Eligible Inventory.

ARTICLE 6

AFFIRMATIVE COVENANTS

Until the Termination Date, each Loan Party covenants and agrees with the Credit Parties that:

Section 6.1 Financial Statements and Other Information. Each Loan Party will furnish or cause to be furnished to the Administrative Agent and each Lender either in hard copy or by posted to ABLSoft, or, if requested by the Administrative Agent, by another form of Approved Electronic Communication pursuant to procedures approved in writing by the Administrative Agent:

(a) within 120 days after the end of each Fiscal Year, (i) the audited consolidated balance sheet of the Company and its Subsidiaries together with the related statements of income, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by PriceWaterhouseCoopers LLP or another registered independent public accounting firm of recognized standing reasonably acceptable to the Administrative Agent (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied and (ii) the unaudited consolidating balance sheets of the Company and its Subsidiaries and the related statements of income, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous Fiscal Year and certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its Subsidiaries on a consolidating basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(b) within 45 days after the end of each fiscal quarter, the unaudited consolidated and consolidating balance sheet of the Company and its Subsidiaries and the related unaudited statements of income, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the Fiscal Year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous Fiscal Year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its Subsidiaries on a consolidated and consolidating basis and consistent with the basis of historical financial statements provided to the Administrative Agent prior to the Closing Date;

(c) within 30 days after the end of each of the first two months of each fiscal quarter, the unaudited consolidated and consolidating balance sheet of the Company and its Subsidiaries (other than TB Arhaus) and the related unaudited statements of income, stockholders' equity and cash flows as of the end of and for such month and the then elapsed portion of the Fiscal Year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous Fiscal Year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its Subsidiaries (other than TB Arhaus) on a consolidated and consolidating basis and consistent with the basis of historical financial statements provided to the Administrative Agent prior to the Closing Date;

(d) concurrently with any delivery of financial statements under clause (a), (b), or (c) above, a Compliance Certificate signed by a Financial Officer of the Borrower Agent (i) containing either a certification that no Default exists or, specifying the nature of each such Default, the nature and status thereof and any action taken or proposed to be taken with respect thereto, (ii) certifying that there have been no changes to the jurisdiction of organization or legal name of any Loan Party since the date of the last Compliance Certificate delivered pursuant to the Credit Agreement, (iii) attaching reasonably detailed calculations demonstrating compliance with Section 7.12, (iv) certifying that the Borrowers have no Subsidiaries other than (A) those that existed on the Closing Date and were reflected in the Information Certificate on such date, (B) those formed or acquired after the Closing Date with respect to which the Administrative Agent was previously notified either pursuant to Section 6.12 of this Agreement, in an

additional Information Certificate or in a previous Compliance Certificate, and (C) those other Subsidiaries set forth on the relevant Schedule to such Compliance Certificate, and (v) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 5.5 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such Compliance Certificate;

(e) within 45 days after the beginning of each Fiscal Year, an annual consolidated and consolidating forecast for the Company and its Subsidiaries for such Fiscal Year prepared on a month-by-month basis, including projected consolidated and consolidating balance sheets, statements of income, and cash flow of the Company and its Subsidiaries, all in reasonable detail acceptable to the Administrative Agent;

(f) concurrently with the delivery of any Compliance Certificate under clause (c) above, a discussion and analysis of the financial condition and results of operations of the Company and its Subsidiaries for the portion of the Fiscal Year then elapsed, including a discussion of the reasons for any significant variations from the figures for the corresponding period of the previous Fiscal Year; and

(g) promptly following any request therefor, (i) such other information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable "know your customer" requirements under the USA Patriot Act, the Beneficial Ownership Regulation or other applicable Anti-Corruption Laws, Anti-Money Laundering Laws, and Anti-Terrorism Laws (including those passed pursuant to the USA PATRIOT Act), and (ii) such other information regarding the operations, business affairs and financial condition of the Company or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may reasonably request.

Section 6.2 Notices of Material Events. Each Loan Party will furnish or caused to be furnished to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default or Event of Default, specifying the nature and extent thereof;

(b) the filing or commencement of, or any threat or notice of intention of any Person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against, or affecting, any Loan Party or any of its Subsidiaries that could reasonably be expected to result in a Material Adverse Effect;

(c) if requested by Administrative Agent from time to time, copies of any annual report required to be filed in connection with each Pension Plan, and as soon as possible after, and in any event within ten days after any Loan Party or any ERISA Affiliate knows or has reason to know that, any ERISA Event has occurred that, alone or together with any other ERISA Event could reasonably be expected to result in liability of any Loan Party or any ERISA Affiliate in an aggregate amount exceeding the Threshold Amount;

(d) any material breach or non-performance of, or any default under, a contractual obligation of any Loan Party or any Subsidiary thereof (including, without limitation, any failure by any Loan Party to pay rent at any leased Real Property of such Loan Party);

(e) promptly after receipt thereof, copies of all material notices received under or pursuant to the Second Lien Credit Documents;

(f) a copy of any notice, summons, citation or other written communication concerning any actual, alleged, suspected or threatened violation of any Environmental Law by, Environmental Claim against or Environmental Liability of, any Loan Party or any of its Subsidiaries, in each case, which could reasonably be expected to have a Material Adverse Effect;

(g) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by any Loan Party or any of its Subsidiaries with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange;

(h) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities of any Loan Party or of any of its Subsidiaries pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to any other clause of this Section 6.2;

(i) promptly after any Loan Party or any of its Subsidiaries (i) being required to file reports under Section 15(d) of the Securities Exchange Act of 1934, or (ii) registering securities under Section 12 of the Securities Exchange Act of 1934;

(j) in the event that any Person shall become, or cease to be, a Subsidiary or a Guarantor, the Borrower Agent shall promptly furnish to the Administrative Agent an updated list of Subsidiaries or Guarantors, as the case may be;

(k) any material change in accounting policies or financial reporting practices by any Loan Party or any Subsidiary thereof, except to the extent required by GAAP;

(l) the occurrence of any other development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect; and

(m) any change in the information provided in the most recently delivered Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified therein.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer of the Borrower Agent or other executive officer of the Borrower Agent setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 6.3 Existence; Conduct of Business. Each Loan Party will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.3 or any sale, lease, transfer or other disposition permitted by Section 7.5.

Section 6.4 Payment and Performance of Obligations. Each Loan Party will, and will cause each of its Subsidiaries to, pay or perform its obligations, including Tax liabilities, that, if not paid or performed, could reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being Properly Contested and (b) the failure to make payment pending such contest could not reasonably be expected to result in a Lien on any property or asset owned by any Loan Party.

Section 6.5 Maintenance of Properties. Each Loan Party will, and will cause each of its Subsidiaries to, keep and maintain all property material to the conduct of its business in good working order and condition, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 6.6 Books and Records; Inspection Rights. Each Loan Party will, and will cause each of its Subsidiaries to (a) keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities and (b) permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accounting firm, all at the expense of the Borrowers and at such reasonable times and as often as reasonably requested; provided, however, so long as no Default or Event of Default has occurred and is continuing, the Borrowers shall only be responsible for the costs and expenses of (i) three commercial field examinations per year of the Loan Parties, the Collateral, and such other matters as the Administrative Agent shall deem appropriate in its Permitted Discretion, and (ii) two appraisals per year from appraisers stating the then current fair market value or orderly liquidation value of the Inventory or other Collateral of the Loan Parties, which appraisals and field examinations may be conducted by employees of the Administrative Agent or by third parties hired by the Administrative Agent; and provided further, during the existence of an Event of Default, the Administrative Agent or any Lender (or any of their respective representatives) may do any of the foregoing at the expense of the Borrowers at any time during normal business hours and without advance notice.

Section 6.7 Compliance with Laws. Each Loan Party will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property and maintain all permits and licenses necessary to conduct its business, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. In addition, and without limiting the foregoing, each Loan Party will, and will cause each of its Subsidiaries to, comply with all applicable Environmental Laws in all material respects, and with Anti-Corruption Laws, Anti-Money Laundering Laws, applicable Sanctions and the USA PATRIOT Act and the regulations promulgated thereunder in all respects.

Section 6.8 Use of Proceeds.

(a) The proceeds of the Loans will be used only for general corporate purposes not inconsistent with the terms hereof or in contravention of any Law or any Loan Document.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (a) to purchase, acquire or carry any Margin Stock or (b) for any purpose that entails a violation of any of the regulations of the Board, including Regulations T, U, and X. The Borrowers will not request any Loan, and the Borrowers shall not use, and shall ensure that each Loan Party, their respective Subsidiaries and their respective directors, officers, employees and agents shall not use, the proceeds of any Loan (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or (ii) in any manner that would result in the violation of any Anti-Money Laundering Laws, applicable Sanctions or any Anti-Terrorism Laws by any Person, including any Credit Party.

Section 6.9 Information Concerning Collateral. Each Loan Party will furnish to the Administrative Agent at least ten days written notice before any change in (a) the legal name or jurisdiction of incorporation or formation of any Loan Party, (b) the location of the chief executive office of any Loan Party, its principal place of business, any office in which it maintains books or records relating to Collateral

owned or held by it or on its behalf or any office or facility at which Collateral owned or held by it or on its behalf (including the establishment of any such new office or facility), or (c) the identity or organizational structure of any Loan Party, or the Federal Taxpayer Identification Number or company organizational number of any Loan Party. Each Loan Party agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the UCC or otherwise that are required in order for the Administrative Agent to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral. Each Loan Party also agrees promptly to notify the Administrative Agent if any material portion of the Collateral is damaged or destroyed.

Section 6.10 Insurance.

(a) Each Loan Party will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurance companies, adequate insurance for its insurable properties (including, without limitation, business interruption insurance), all to such extent and against such risks, including fire, casualty, business interruption and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses operating in the same or similar locations and of same or similar size, including public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it (including all insurance required pursuant to the Collateral Documents); and maintain such other insurance as may be required by law.

(b) The Loan Parties shall maintain flood insurance on all Real Property constituting Collateral, from such providers, in amounts and on terms in accordance with the Flood Laws or as otherwise satisfactory to all Lenders;

(c) Each Loan Party will, and will cause each of its Subsidiaries to, (i) cause all such policies to be endorsed or otherwise amended to include an additional insured endorsement or a “standard” or “New York” lender’s loss payable endorsement, as appropriate, each in form and substance reasonably satisfactory to the Administrative Agent, and which lender’s loss payable endorsement or amendment shall provide that, from and after the Closing Date, if the insurance carrier shall have received written notice from the Administrative Agent of the occurrence of an Event of Default, the insurance carrier shall pay all proceeds otherwise payable to such Loan Party under such policies directly to the Administrative Agent, (ii) cause all such policies to provide that neither such Loan Party, any Subsidiary or the Administrative Agent nor any other party shall be a co-insurer thereunder, without any deduction for depreciation, and such other provisions as the Administrative Agent may reasonably require from time to time to protect its interests, (iii) upon request by the Administrative Agent deliver original or certified copies of all such policies to the Administrative Agent, (iv) cause each such policy to provide that it shall not be canceled, modified or not renewed for any other reason upon not less than 30 days’ (or 10 days’ in the case of non-payment of premium) prior written notice thereof by the insurer to the Administrative Agent, (v) deliver to the Administrative Agent, prior to the cancellation, modification or non- renewal of any such policy of insurance, a copy of a renewal or replacement policy (or other evidence of renewal of a policy previously delivered to the Administrative Agent) together with evidence satisfactory to the Administrative Agent of payment of the premium therefor.

(d) Each Loan Party will promptly upon request of the Administrative Agent or any other Lender, deliver to the Administrative Agent (for distribution to all Lenders), evidence of compliance by all Loan Parties with the requirements contained Sections 6.10(a) through (c) in form and substance reasonably acceptable to the Administrative Agent and the Lenders, including, without limitation, evidence of annual renewals of such insurance.

(e) In connection with the covenants set forth in this Section 6.10, it is understood and agreed that no Credit Party or any of its Related Parties shall be liable for any loss or damage insured by the insurance policies required to be maintained under this Section 6.10, it being understood that (A) each Loan Party shall look solely to its insurance companies or any other parties other than the aforesaid parties for the recovery of such loss or damage and (B) such insurance companies shall have no rights of subrogation against any Credit Party or any of their Related Parties, provided, however, that if the insurance policies do not provide waiver of subrogation rights against such parties, as required above, then each Loan Party (for itself and each of its Subsidiaries) hereby agrees, to the extent permitted by law, to waive its right of recovery, if any, against the Credit Parties and their Related Parties.

Section 6.11 Casualty Events; Extraordinary Receipts.

(a) Each Loan Party will, and will cause each of its Subsidiaries to, furnish to the Credit Parties prompt written notice of (i) each Casualty Event or other insured damage to any portion of any property with a fair market value, individually or in the aggregate, in excess of $100,000, owned or held by or on behalf of itself or any of its Subsidiaries or the commencement of any action or proceeding for the condemnation or other taking of any such property or any part thereof or interest therein under power of eminent domain or by condemnation or similar proceeding, and (ii) each Extraordinary Receipt.

(b) If any Casualty Event results in Net Cash Proceeds (whether in the form of insurance proceeds, condemnation award or otherwise), the Administrative Agent is authorized to collect such Net Cash Proceeds and, if received by any Loan Party or any of its Subsidiaries, such Net Cash Proceeds shall not be commingled with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Administrative Agent hereunder and shall be forthwith paid over to the Administrative Agent, provided that (i) to the extent that any Loan Party or any of its Subsidiaries intends to use any such Net Cash Proceeds to repair, restore, reinvest or replace assets of such Loan Party or any of its Subsidiaries as provided in Section 2.5(b)(ii), the Administrative Agent shall, subject to the terms and conditions of such proviso, deliver such Net Cash Proceeds to the Borrowers on behalf of the applicable Loan Party, (ii) otherwise, the Administrative Agent shall, and each Loan Party hereby authorizes the Administrative Agent to, apply such Net Cash Proceeds to prepay the Loans in accordance with Section 2.5 and (iii) all proceeds of business interruption insurance shall be paid over to the Borrowers unless an Event of Default has occurred and is continuing.

(c) All proceeds received by or paid to the Administrative Agent that do not constitute Net Cash Proceeds required to be applied to prepay the Loans in accordance with Section 2.5 or are not permitted to be received and held by the Administrative Agent pursuant to Section 6.11(b) shall be paid over to the Borrowers on behalf of the applicable Loan Party unless an Event of Default has occurred and is continuing.

Section 6.12 Covenant to Guarantee and Provide Security. Each Loan Party will, and will cause each of the other Loan Parties to, at any time upon the reasonable request of Administrative Agent, execute or deliver to Administrative Agent any and all financing statements, fixture filings, security agreements, pledges, assignments, mortgages, deeds of trust, opinions of counsel, and all other documents that Administrative Agent may reasonably request in form and substance reasonably satisfactory to Administrative Agent, to create, perfect, and continue perfected or to better perfect Administrative Agent's Liens in all of the assets of each of the Loan Parties (whether now owned or hereafter arising or acquired, tangible or intangible, real or personal) (other than Excluded Assets (as defined in the Security Agreement)), and in order to fully consummate all of the transactions contemplated hereby and under the other Loan Documents.

(a) Additional Subsidiaries. If any Subsidiary of a Loan Party is formed or acquired after the Closing Date, the Borrower Agent will notify the Credit Parties in writing thereof within five Business Days following the date on which such Subsidiary is formed or acquired (or such later date as may be acceptable to the Administrative Agent in its sole discretion) and, by such date:

(i) the Loan Parties will cause each such Subsidiary to (A) execute and deliver a Subsidiary Joinder Agreement and an Information Certificate and (B) promptly take such actions to create and perfect Liens on such Subsidiary's assets to secure the Obligations as the Administrative Agent shall reasonably request (including the execution and delivery of any collateral document necessary or appropriate to create and perfect Liens with respect to such Subsidiary's owned or leased Real Property or any Collateral Access Agreement or similar document);

(ii) if any Equity Interests issued by any such Subsidiary are owned or held by or on behalf of any Loan Party, the Loan Parties will cause such Equity Interests to be pledged pursuant to the Collateral Documents not later than the tenth Business Day after the date on which such Subsidiary is formed or acquired; and

(iii) the Loan Parties will deliver or cause to be delivered to the Administrative Agent such certificates and legal opinions as would have been required had such Subsidiary been a Loan Party on the Closing Date.

(b) Real Property.

(i) Upon the acquisition by any Loan Party after Closing Date of any owned Real Property, the Borrower Agent shall immediately notify the Administrative Agent, setting forth with specificity a description of such Real Property, including the location thereof, any structures or improvements thereon and, as determined by the Administrative Agent in its sole discretion, either an appraisal or Borrower Agent's good faith estimate of the current value of such Real Property. Within 45 days of the delivery of such notice and unless the Administrative Agent in its sole discretion determines not to require a Mortgage on such Real Property:

(A) the Loan Party that owns such Real Property shall have satisfied the Mortgage Requirement, and

(B) the Borrowers shall, or shall cause such Loan Party to, pay all fees and expenses, including Attorney Costs, and all title insurances charges and premiums, in connection with each Loan Party's obligations under this Section.

(ii) Notwithstanding the foregoing, no Real Property shall be taken as Collateral unless Lenders receive 45 days advance notice and each Lender confirms to the Administrative Agent that it has completed all flood due diligence, received copies of all flood insurance documentation and confirmed flood insurance compliance as required by the Flood Laws or as otherwise satisfactory to such Lender. At any time that any owned Real Property constitutes Collateral, no modification of a Loan Document shall add, increase, renew or extend any loan, commitment or credit line hereunder until the completion of flood due diligence, documentation and coverage as required by the Flood Laws or as otherwise satisfactory to all Lenders.

Section 6.13 Environmental Matters. Each Loan Party will, and will cause each of their respective Subsidiaries to, (a) conduct its operations in material compliance with all applicable Environmental Laws, (b) implement any and all investigation, remediation, removal and response actions

that either are necessary to materially comply with Environmental Laws pertaining to the presence, generation, treatment, storage, use, disposal, transportation or Release of any Hazardous Material on, at, under, or from any of their owned or leased property or are requested by any Governmental Authority pursuant to Environmental Law, (c) notify the Administrative Agent promptly upon becoming aware of any violation of Environmental Laws or any Release of Hazardous Materials on, at, under, or from, any property that is reasonably likely to result in an Environmental Claim against any Loan Party or any of its Subsidiaries in excess of the Threshold Amount and promptly forward to the Administrative Agent a copy of any written communication received in connection therewith. If the Administrative Agent at any time has a reasonable basis to believe that there may be a violation of any Environmental Laws or a Release of Hazardous Materials on, at, under, or from any property owned or leased by any Loan Party or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect, then, subject to Section 9.3(d), upon request by the Administrative Agent the Borrowers shall cause such Loan Party to permit the Administrative Agent to appoint a nationally-recognized independent environmental testing firm or such other consultant as the Administrative Agent shall determine, at the Loan Parties' expense, to have access to all property owned or leased by each Loan Party and each of its Subsidiaries for the purpose of conducting such environmental testing, including subsurface sampling of soil and groundwater, as the Administrative Agent deems appropriate to investigate the subject of the potential violation or Release.

Section 6.14 Cash Management.

(a) Maintenance of Controlled Accounts. The Loan Parties will maintain their primary depository, treasury account and cash management relationship (other than with respect to Excluded Accounts) with an Approved Depository (as such term is defined in the Security Agreement). Upon the occurrence and during the continuance of a Cash Dominion Trigger Period, Administrative Agent may require that all cash held in any Controlled Account be swept on a daily basis to be applied by the Administrative Agent to repay outstanding Revolving Loans and other amounts then due and payable. The Administrative Agent shall have control over and a Lien on all funds deposited in any Controlled Account, for the ratable benefit of Lenders, and, whether such Controlled Account is maintained with the Administrative Agent or its affiliate or with an Approved Depository or Approved Intermediary (as each such term is defined in the Security Agreement), the Loan Parties shall obtain a Control Agreement in favor of the Administrative Agent. The Loan Parties shall not maintain any deposit accounts (other than Excluded Accounts) which are not Controlled Accounts.

(b) Collections; Proceeds of Collateral. Each Loan Party agrees that all invoices rendered and other requests made by any Loan Party for payment in respect of Accounts and Credit Card Receivables shall contain a written statement directing payment in respect of such Accounts to be paid to a Controlled Account (or a lockbox associated with a Controlled Account). All remittances received by any Loan Party in respect of Accounts and Credit Card Receivables, together with the proceeds of any other Collateral and all other cash (other than amounts maintained in Excluded Accounts), shall be transferred daily to, or otherwise maintained in, a Controlled Account.

Section 6.15 Borrowing Base Certificates; Collateral Administration.

(a) Borrowing Base Certificates. On or before the 15th day of each month, the Loan Parties shall deliver to the Administrative Agent a Borrowing Base Certificate as of the last day of the immediately preceding month, with such supporting materials, as the Administrative Agent shall reasonably request. Notwithstanding the foregoing, during any Increased Reporting Trigger Period, the Loan Parties shall execute and deliver to Administrative Agent a Borrowing Base Certificate on or before the fifth Business Day after the end of each week. Together with each delivery of each Borrowing Base Certificate pursuant to the first sentence of this Section 6.15(a), the Loan Parties shall deliver to the Administrative Agent, in the form reasonably acceptable to the Administrative Agent, (i) reconciliations of the Credit Card

Receivables as shown on the Borrowing Base Certificate for the immediately preceding month or week, as applicable, to the Loan Parties' general ledger and to the Loan Parties' most recent financial statements, (ii) a reasonably detailed accounts payable aging, (iii) reconciliations of the Loan Parties' Inventory as shown on the Loan Parties' perpetual inventory, to the Loan Parties' general ledger and to the Loan Parties' financial statements, and (iv) Inventory reports in such format and detail as the Administrative Agent shall request and which shall include a current list of all locations of the Loan Parties' Inventory, all with supporting materials as the Administrative Agent shall reasonably request.

(b) [Reserved].

(c) [Reserved].

(d) Administration of Inventory. The Loan Parties shall keep records of their Inventory, which records shall be complete and accurate in all material respects. The Loan Parties (or their accountants) shall conduct a physical inventory at each store, third party logistics hub, and any other location where Inventory having an aggregate value in excess of $25,000 is located and cycle counting at each warehouse facility no less frequently than annually and shall provide to Administrative Agent a report based on each such physical inventory promptly thereafter, together with such supporting information as Administrative Agent shall reasonably request.

(e) Leased Real Property; Collateral Access Agreements.

(i) With respect to any lease, warehousing agreement or any processing agreement in any case entered into after the Closing Date, the Loan Parties shall use commercially reasonable efforts to provide the Administrative Agent with a Collateral Access Agreement with respect to such premises. In the event the Loan Parties do not provide the Administrative Agent with a Collateral Access Agreement with respect to any such premises, the Loan Parties acknowledge that the Administrative Agent may, in the Administrative Agent's Permitted Discretion, (A) not include Inventory at such location as Eligible Inventory or (B) establish a Reserve for such location.

(ii) Each Loan Party shall comply in all material respects at all times with the provisions of all real property leases, space sharing agreements or similar arrangements to which such Loan Party is a party (after giving effect to any grace period or cure right with respect thereto under any such lease, agreement, or arrangement). Without limiting the foregoing, each Loan Party shall pay when due all rents and other amounts payable under any real property lease, space sharing agreements, or similar arrangements to which such Loan Party is a party, other than with respect to any such lease which is immaterial to the business of any Loan Party and as to which location no Collateral having a value in excess of $25,000 is located, as and when such amounts become due (after giving effect to any grace period or cure right with respect thereto under any applicable lease).

Section 6.16 Certain Post-Closing Obligations. As promptly as practicable, and in any event within the time periods after the Closing Date specified in Schedule 6.16 or such later date as the Administrative Agent reasonably agrees to in writing, each Loan Party shall deliver the documents or take the actions specified on Schedule 6.16.

ARTICLE 7

NEGATIVE COVENANTS

Until the Termination Date, each Loan Party covenants and agrees with the Credit Parties that:

Section 7.1 Indebtedness; Equity Interests.

(a) The Loan Parties will not, and will not permit any of their Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

(i) Indebtedness created under the Loan Documents;

(ii) Indebtedness existing on the Closing Date and set forth in Schedule 7.1, and any Refinancing Indebtedness with respect thereto;

(iii) Indebtedness of any Borrower or any of its Subsidiaries incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capitalized Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and any Refinancing Indebtedness with respect thereto, provided that (A) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (B) the aggregate outstanding principal amount of Indebtedness permitted by this clause (iii) shall not, without duplication, exceed $1,500,000 at any time;

(iv) intercompany Indebtedness of any Borrower or any Subsidiary owing to and held by the Company or any Subsidiary;

(v) Guarantees by any Loan Party of Indebtedness of any other Loan Party, provided that such Indebtedness is otherwise permitted by this Section 7.1(a);

(vi) Unsecured obligations under any Swap Agreements permitted by Section 7.7;

(vii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or other similar instrument drawn against insufficient funds in the ordinary course of business;

(viii) unsecured guarantees arising as a result of customary indemnification obligations to purchasers that are not Affiliates of a Loan Party in connection with any Disposition permitted by Section 7.5;

(ix) Indebtedness incurred in the ordinary course of business under (A) appeal bonds or similar instruments and (B) surety bonds, payment bonds, performance bonds, bid bonds, completion guarantees and similar obligations, workers' compensation claims, health, disability or other employee benefits, and bankers acceptances issued for the account of any Loan Party or its Subsidiaries and unsecured guarantees thereof, in each case, incurred in the ordinary course of business;

(x) Indebtedness pursuant to letters of credit in an aggregate undrawn and unreimbursed amount at any time outstanding not to exceed $1,675,000;

(xi) Indebtedness owing to the Second Lien Lenders pursuant to the Second Lien Credit Agreement, so long as such Indebtedness is subject to the terms of the Intercreditor Agreement, and any Indebtedness issued in exchange for, or the proceeds of which are used to extend, refinance, refund, replace, renew, continue or substitute for Indebtedness under the Second Lien Credit Agreement, which Indebtedness both (A) qualifies as Refinancing Indebtedness and

(B) unless such Indebtedness is provided by the lenders under the Second Lien Credit Agreement on the Closing Date and/or their affiliates, satisfies each of the following conditions: (1) such Indebtedness shall have a final maturity that is no earlier than 91 days after the Stated Maturity Date; (2) to the extent such Indebtedness is secured, the Liens to secure such Indebtedness shall have junior priority in all respects to the Administrative Agent's Liens on terms and conditions satisfactory to the Administrative Agent in its sole discretion, and (3) such Indebtedness shall be subject to an intercreditor agreement in form and substance satisfactory to the Administrative Agent in its sole discretion);

(xii) Indebtedness constituting indemnification obligations or obligations in respect of purchase price or other similar adjustments in connection with Permitted Dispositions;

(xiii) Indebtedness consisting of the financing of insurance premiums incurred in the ordinary course of business of any Loan Party or any Subsidiary, so long as the amount of such Indebtedness is not in excess of the amount of the unpaid cost of (including any customary financing charges), and shall be incurred only to defer the cost of such insurance for the period in which such Indebtedness is incurred and such Indebtedness is outstanding only for a period not exceeding 12 months;

(xiv) to the extent constituting Indebtedness, Obligations in respect of netting services, automatic clearinghouse arrangements, and overdraft protections; and

(xv) additional unsecured Indebtedness in an aggregate principal amount not to exceed $750,000 at any one time outstanding.

(b) The Loan Parties will not, and will not permit any of their respective Subsidiaries to, (i) issue any Disqualified Equity Interests, or (ii) be or become liable in respect of any obligation (contingent or otherwise) to purchase, redeem, retire, acquire or make any other payment in respect of any Equity Interests of any Loan Party or any of its Subsidiaries, except as permitted under Section 7.8.

Section 7.2 Liens. The Loan Parties will not, and will not permit any of their respective Subsidiaries to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Liens created under the Loan Documents;

(b) Permitted Encumbrances;

(c) any Lien on any property or asset of any Borrower or any Subsidiary existing on the Closing Date and set forth in Schedule 7.2, provided that (i) such Lien shall not apply to any other property or asset of any Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the Closing Date and any extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) any Lien on fixed or capital assets acquired, constructed or improved by any Borrower or any Subsidiary, provided that (i) such Lien secures Indebtedness permitted by Section 7.1(a)(iii), (ii) such Lien and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such Lien shall not apply to any other property or assets of any Borrower or any Subsidiary;

(e) any Lien existing on any property or asset prior to the acquisition thereof by any Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the Closing Date prior to the time such Person becomes a Subsidiary, provided that (i) such Lien secures Indebtedness permitted by Section 7.1(a)(xiii), (ii) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as applicable, (iii) such Lien shall not apply to any other property or assets of any Borrower, or any Subsidiary and (iv) such Lien shall secure only the Indebtedness and other obligations that it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as applicable, and any extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(f) Liens on cash or Cash Equivalents securing obligations of such Persons permitted under Section 7.1(a)(x) so long as (i) such Lien shall secure only the Indebtedness pursuant to such letters of credit and (ii) such Lien shall not apply to any other property or assets of the Company or any Subsidiary;

(g) Liens securing Indebtedness permitted by Section 7.1(a)(xi), so long as such Liens are subject to the Intercreditor Agreement; and

(h) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto incurred in the ordinary course of business.

Section 7.3 Fundamental Changes; Business; Fiscal Year.

(a) The Loan Parties will not, and will not permit any of their respective Subsidiaries to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise Dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the Equity Interests issued by any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve or consummate a Division, provided that, if at the time thereof and immediately after giving effect thereto, no Default shall or would have occurred and be continuing:

(i) any Borrower or any Subsidiary may merge into or consolidate with any Person in a transaction that is not permitted by Section 7.3(a), provided that (A) in the case of a merger involving the Company, the Company shall be the surviving entity of such merger, (B) in the case of a merger involving any Borrower (other than the Company), such Borrower shall be the surviving entity of such merger, (C) such merger is permitted by Section 7.4 and either (1) the Guarantor shall be the surviving entity or (2) such other Person shall become a Guarantor pursuant to Section 6.12, and (D) such merger shall not be prohibited by Section 7.5;

(ii) any Guarantor may sell, transfer, lease or otherwise Dispose of all or substantially all of its assets to any Borrower or to any Guarantor;

(iii) any Borrower or any of their respective Subsidiaries may sell, transfer, lease or otherwise Dispose of its assets in a transaction that is not permitted by Section 7.3(a)(iii), provided that such sale, transfer, lease or other Disposition is permitted by Section 7.5; and

(iv) any Guarantor may liquidate or dissolve so long as any remaining assets of such Guarantor are transferred to another Loan Party; provided that, in each case, the Borrower Agent determines in good faith that such liquidation or dissolution is in the best interests of the Loan Parties and their Subsidiaries and is not disadvantageous to the Administrative Agent or any Lender in any material respect.

(b) The Loan Parties will not, and will not permit any of their Subsidiaries to, engage to any material extent in any business other than an Approved Line of Business.

(c) The Loan Parties will not, and will not permit any of their Subsidiaries to, change its Fiscal Year without the prior written consent of the Administrative Agent.

Section 7.4 Investments, Loans, Advances, Guarantees and Acquisitions. The Loan Parties will not, and will not permit any of their Subsidiaries to, purchase, hold or acquire (including pursuant to any merger or Division) any Investment, make or permit to exist any Guarantees of any obligations of, or make or permit to exist any investment or any other interest in, any other Person, make any Acquisition or purchase or otherwise enter into or become party to any derivative transaction, except:

(a) Investments in cash and Cash Equivalents;

(b) Investments existing on the Closing Date and set forth in Schedule 5.13 and Schedule 7.4;

(c) equity Investments made by any Loan Party in any other Loan Party;

(d) Investments constituting Indebtedness made by (i) any Loan Party to any Subsidiary thereof or (ii) any Subsidiary to any Loan Party or another Subsidiary, in each case subject to the limitations set forth in Section 7.1(a)(iv) and (v);

(e) Guarantees permitted by Section 7.1(a);

(f) Swap Agreements permitted by Section 7.7;

(g) (i) payroll, commission, travel and other similar cash advances made to directors (or comparable Persons), officers or employees in the ordinary course of business; and (ii) loans and advances, in each case, to the extent not made in cash, to employees, officers, and directors of a Loan Party or any of its Subsidiaries for the purpose of purchasing Equity Interests in the Company so long as the proceeds of such loans are used in their entirety to purchase such Equity Interests in the Company;

(h) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business;

(i) advances of payroll payments to employees in the ordinary course of business and (ii)other loans and advances to officers, directors and employees of the Loan Parties and Subsidiaries in the ordinary course of business, in each case, in an amount not to exceed $100,000 to any individual at any time or in an aggregate amount not to exceed $250,000 at any time outstanding;

(j) Guarantees of leases or other obligations of any Loan Party that do not constitute Indebtedness, in each case entered into in the ordinary course of business;

(k) (i) promissory notes and other non-cash consideration received in connection with Dispositions permitted by Section 7.5 and (ii) Investments received in settlement of amounts due to any Loan Party or any of its Subsidiaries effected in the ordinary course of business as a result of insolvency, bankruptcy, reorganization, or other similar proceeding involving an Account Debtor;

(l) deposits of cash made in the ordinary course of business to secure performance of (i) operating leases and (ii) other contractual obligations that do not constitute Indebtedness;

(m) other Investments by the Company and its Subsidiaries of a nature not otherwise contemplated under this Section 7.4 in an aggregate outstanding amount not to exceed $750,000.

In determining the amount of Investments, acquisitions, loans, and advances permitted under this Section 7.4, Investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), and loans and advances shall be taken at the principal amount thereof then remaining unpaid.

Section 7.5 Dispositions. The Loan Parties will not, and will not permit any of their Subsidiaries to, Dispose of any of its assets except:

(a) issuances of Equity Interests (other than Disqualified Equity Interests) by (i) any Subsidiary of a Loan Party to a Loan Party or (ii) the Company to the holders of its Equity Interests, in each case subject to the Collateral and Guarantee Requirement and Section 2.5(b)(i)(B);

(b) the sale of inventory in the ordinary course of business;

(c) the use or transfer of money, cash or Cash Equivalents in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents;

(d) the licensing and sublicensing on a non-exclusive basis of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business, and the leasing and subleasing of any other property in the ordinary course of business not interfering with the business of the Loan Parties;

(e) the granting of Liens permitted hereunder and the other transactions permitted by Section 7.2;

(f) any Casualty Event and the Disposition of any property subject thereto;

(g) (i) the abandonment, cancellation or lapse of issued patents, registered trademarks and other registered intellectual property of a Loan Party or Subsidiary thereof to the extent, in such Loan Party's reasonable business judgment, not economically desirable in the conduct of such Loan Party's business or so long as such lapse is not materially adverse to the interests of the Lenders and (ii) the expiration of patents in accordance with their statutory terms;

(h) the sale of assets (other than Equity Interests of any Subsidiary, unless all of the Equity Interests of such Subsidiary (other than any Borrower) are sold in accordance with this clause (h)) for at least fair market value, so long as (A) no Default then exists or would immediately result therefrom, (B) at least 75% of the consideration received by the applicable Loan Party consists of cash or Cash Equivalents and is paid at the time of the closing of such sale, (C) the Net Cash Proceeds therefrom are applied and/or reinvested as (and to the extent) required by Section 2.5(b)(i)(A) and (D) the aggregate amount of the cash and non-cash proceeds received from all assets sold pursuant to this clause (h) shall not exceed $250,000 in the aggregate in any Fiscal Year (for this purpose, using the fair market value of property other than cash and Cash Equivalents);

(i) any sale, transfer, license, lease or other disposition by a Loan Party of any assets to another Loan Party;

(j) sales, abandonment, or other dispositions of Equipment that is substantially worn, damaged, or obsolete or no longer used or useful in the ordinary course of business of the Loan Parties;

(k) the collection of Credit Card Receivables, accounts receivable and other obligations in the ordinary course of business;

(l) the sale or discount, in each case without recourse, of past due accounts receivable (other than Eligible Credit Card Receivables) in connection with the compromise or collection thereof;

(m) Dispositions by any Subsidiary to a Loan Party;

(n) any Disposition of Real Property to a Governmental Authority as a result of the condemnation of such Real Property;

(o) any trade in of equipment in exchange for other equipment in the ordinary course of business; and

(p) the unwinding or terminating of hedging arrangements or transactions contemplated by any Swap Agreement which are not prohibited hereunder.

Section 7.6 Sale Leaseback Transactions. The Loan Parties will not, and will not permit any of their Subsidiaries to, enter into any Sale Leaseback arrangement, directly or indirectly, with any Person.

Section 7.7 Swap Agreements. The Loan Parties will not, and will not permit any of their Subsidiaries to, enter into any Swap Agreement, except (a) Swap Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Company or any Subsidiary has actual exposure (other than those in respect of Equity Interests of the Company or any Subsidiary) and that are not for speculative purposes and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of such Loan Party or Subsidiary.

Section 7.8 Restricted Payments. The Loan Parties will not, and will not permit any of their Subsidiaries to, declare or make, or agree to pay for or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except:

(a) subject to the Collateral and Guarantee Requirement, any Subsidiary of the Company may declare and pay, and agree to pay, dividends and other distributions with respect to its Equity Interests payable solely in perpetual common Equity Interests (other than Disqualified Equity Interests),

(b) any Subsidiary of the Company may declare and pay dividends or other distributions with respect to its Equity Interests to the Company or any Guarantor,

(c) the Company may pay to employees, former employees, former officers, directors, or former directors (or any spouses, ex-spouses, or estates of any of the foregoing) amounts in connection with the repurchase or redemption by of the Company of the Equity Interests of the Company that has been issued to such Persons, so long as (i) no Default or Event of Default has occurred and is continuing or would result from such payments and (ii) the aggregate amount of all such payments during any Fiscal Year does not exceed $1,500,000, and

(d) so long as (i) no Default or Event of Default shall have occurred and be continuing or would result therefrom and (ii) the Company is treated as a partnership under the Code, the Company may declare and pay Permitted Tax Distributions;

Section 7.9 Transactions with Affiliates. The Loan Parties will not, and will not permit any of their Subsidiaries to, Dispose (including pursuant to a merger or Division) of any property or assets to, or purchase, lease or otherwise acquire (including pursuant to a merger or Division) any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except transactions in the ordinary course of business and at prices and on terms and conditions not less favorable to such Loan Party or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties (it being understood that this Section shall not apply to any transaction that is expressly permitted under Sections 7.1, 7.3, 7.4, 7.5, or 7.8 between or among the Loan Parties and not involving any other Affiliate).

Section 7.10 Restrictive Agreements. The Loan Parties will not, and will not permit any of their Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of any Loan Party or any of its Subsidiaries to create, incur or permit to exist any Lien upon any of its property or assets (unless such agreement or arrangement does not prohibit, restrict or impose any condition upon the ability of any Loan Party to create, incur or permit to exist, or the ability of the Administrative Agent to exercise any right or remedy with respect to, any Lien in favor of the Secured Parties created under the Loan Documents) or (b) the ability of any Subsidiary to pay dividends or make other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the Borrowers or any other Subsidiary or to Guarantee Indebtedness of the Borrowers or any other Subsidiary, provided that (i) the foregoing shall not apply to (A) restrictions and conditions imposed by law or by the Loan Documents, (B) restrictions and conditions existing on the Closing Date identified on Schedule 7.10 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), and (C) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided that such restrictions and conditions apply only to its Subsidiary that is to be sold and such sale is permitted hereunder, (ii) clause (a) of this Section shall not apply to (1) restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (2) customary provisions in agreements restricting the assignment thereof, (3) provisions in leases of real property that prohibit mortgages or pledges of the lessee's interest under such lease or restricting subletting or assignment of such lease, and (4) customary restrictions which do not interfere with the business of the Loan Parties arising under licenses and other contracts entered into in the ordinary course of business.

Section 7.11 Amendment of Material Documents. Without the prior written consent of the Administrative Agent, the Loan Parties will not, and will not permit any of their Subsidiaries to, (a) amend, supplement modify or waive any of its rights under the Second Lien Credit Documents in any manner prohibited by the terms of the Intercreditor Agreement; (b) amend, supplement, or modify the form of Customer Sales Order other than, in the case of this clause (b) amendments or modifications which could not reasonably be expected to adversely affect the Credit Parties (provided, that any such amendment or modification which includes any change to the terms and conditions with respect to, class or type of inventory applicable to, calculations of, or amounts of, any customer deposit shall be deemed to be adverse to the Credit Parties); or (c) amend, supplement modify or waive any of its rights under any of its Organizational Documents, other than, in the case of this clause (c), immaterial amendments, modifications or waivers that could not reasonably be expected to adversely affect the Credit Parties or the Loan Parties, provided that the Borrower Agent shall deliver or cause to be delivered to the Administrative Agent and each Lender a copy of all amendments, modifications or waivers thereto promptly after the execution and delivery thereof.

Section 7.12 Financial Covenants.

(a) Minimum Consolidated EBITDA. The Loan Parties will not permit the Consolidated EBITDA as of the end of any fiscal month to be less than $10,000,000.

(b) Consolidated Fixed Charge Coverage Ratio. The Loan Parties will not permit the Consolidated Fixed Charge Coverage Ratio as of the end of any fiscal month to be less than 1.00:1.00; provided, that the Loan Parties shall not be required to comply with the foregoing clause (b) until the last day of the fiscal month in which the Second Lien Satisfaction Date occurs.

Section 7.13 Payments on Indebtedness. The Loan Parties will not, and will not permit any of their Subsidiaries to, declare or make, or agree to pay for or make, directly or indirectly, any payment of principal or interest or any purchase, redemption, retirement, acquisition or defeasance with respect to any Indebtedness of such Person under the Second Lien Credit Documents or any other Indebtedness which is subordinated to the payment of the Obligations except that the Company, or any Subsidiary may make payments with respect to the Second Lien Credit Documents to the extent permitted by Section 4.3 of the Intercreditor Agreement; provided, notwithstanding the foregoing, the Loan Parties may make a voluntary prepayment with respect to the Second Lien Credit Documents in connection with the occurrence of the Second Lien Satisfaction Date so long as both before and after giving effect to such payment (calculated on a pro forma basis as if such payment had been made on the first day of the most recently ended Measurement Period for which financial statements are required to have been delivered pursuant to Section 6.1): (a) no Default or Event of Default shall exist, (b) Availability on the date of such payment and for each of the 30 days immediately preceding such payment shall be greater than or equal to $10,000,000, (c) the Loan Parties shall have a Consolidated Fixed Charge Coverage Ratio of at least 1:00 to 1:00, and (d) either (i) (A) Consolidated EBITDA shall be greater than or equal to $15,000,000 and (B) the Administrative Agent shall have received the audited financial statements and unqualified opinion required pursuant to Section 6.1(a) for the Fiscal Year ending December 31, 2020, or (ii) (A) Consolidated EBITDA (determined on a trailing three month basis pursuant to clause (b) of the definition of "Measurement Period") shall be greater than or equal to $7,500,000 and (B) Consolidated EBITDA shall be greater than or equal to $30,000,000.

Section 7.14 Hazardous Materials. The Loan Parties will not, and will not permit any of their Subsidiaries or agents to, cause or permit a Release or threat of Release of Hazardous Materials on, at, in, above, to, from or about any of the property where such Release or threat of Release would (a) violate, or form the basis for any Environmental Claims under, any Environmental Law or any Environmental Permit or (b) otherwise adversely impact the value or marketability of any property of any Loan Party or any of its Subsidiaries or any of the Collateral, other than such Release, violation or Environmental Claim as could not reasonably be expected to result in a material Environmental Liability.

Section 7.15 Store Closings. The Loan Parties will not, and will not permit any of their Subsidiaries to, close more than 10 retail stores (other than in connection with a contemporaneous relocation of that store), net of all openings of new retail stores after the Closing Date, during the term of this Agreement (and no more than four in any Fiscal Year) without the consent of Administrative Agent; provided that, for purposes hereof, "close" shall mean the failure to remain open to the public during normal business hours (x) with respect to any store, for 30 consecutive days (other than any such store that maintains at least $25,000 in net sales during such 30 day period) and (y) with respect to four or more stores, for 10 consecutive days (other than any such store that maintains at least $8,500 in net sales during such 10 day period).

ARTICLE 8

EVENTS OF DEFAULT

Section 8.1 Events of Default. The occurrence of any of the following shall constitute an Event of Default:

(a) Non-Payment of Principal. Any Loan Party shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise.

(b) Other Non-Payment. Any Loan Party shall fail to pay (i) any interest on any Loan when and as the same shall become due and payable, and such failure shall continue unremedied for a period of one Business Day (provided, that the foregoing shall not prohibit the Administrative Agent from charging such interest to the account of Borrowers' when and as the same shall become due and payable) or (ii) any fee, commission or any other amount (other than an amount referred to in clause (a) of this Section) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days.

(c) Representations and Warranties. Any representation or warranty made or deemed made by or on behalf of any Loan Party or any of its Subsidiaries in or in connection with any Loan Document, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document, shall prove to have been incorrect in any material respect when made or deemed made.

(d) Specific Covenants. Any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Sections 6.1, 6.2(a), 6.3, 6.6, 6.7, 6.8, 6.10, 6.12, 6.14, 6.15 or 6.16, in Article 7 or any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Collateral Document to which it is a party after any applicable notice, grace or cure period.

(e) Other Covenants. Any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document to which it is a party (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after the occurrence thereof.

(f) Cross Default - Payment Default on Material Indebtedness. Any Loan Party shall fail to make any payment (whether of principal, interest or otherwise and regardless of amount) in respect of any Material Indebtedness when and as the same shall become due and payable (after giving effect to any applicable notice, grace or cure period).

(g) Other Cross-Defaults. (i) The occurrence of any "Event of Default" (under and as defined in the Second Lien Credit Agreement) or (ii) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or payment date, or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due prior to their scheduled maturity or payment date or to require the prepayment, repurchase, redemption or defeasance thereof prior to their scheduled maturity or payment date (in each case after giving effect to any applicable notice and any applicable cure period).

(h) Involuntary Proceedings. An involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any

Loan Party or any of its Subsidiaries or its debts, or of a substantial part of its assets, under any Debtor Relief Law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Loan Party or any of its Subsidiaries or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered.

(i) Voluntary Proceedings. Any Loan Party or any of its Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Debtor Relief Law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, conservator or similar official for any Loan Party or any of its Subsidiaries or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing.

(j) Inability to Pay Debts. Any Loan Party or any of its Subsidiaries shall become unable, admit in writing its inability or fail generally to pay its debts as they become due.

(k) Judgments. One or more (i) non-monetary judgments which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, or (ii) judgments for the payment of money in an aggregate amount in excess of the Threshold Amount, shall be rendered against any Loan Party or any of its Subsidiaries or any combination thereof (which shall not be fully covered (without taking into account any applicable deductibles) by insurance from an unaffiliated insurance company with an A.M. Best financial strength rating of at least A-, it being understood that even if such amounts are covered by insurance from such an insurance company, such amounts shall count against such basket if responsibility for such amounts has been denied by such insurance company) and the same shall remain undischarged or unbonded for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Loan Party or any of its Subsidiaries to enforce any such judgment.

(l) ERISA Events. (i) An ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of any Loan Party or any of its Subsidiaries (or in the case of an ERISA Event described in subsection (b) of the definition of that term in Section 1.1, could reasonably be expected to subject any Loan Party, any of its Subsidiaries, any Pension Plan, any trust created thereunder, any trustee or administrator thereof, or any party dealing with any Pension Plan or trust to a tax or penalty on "prohibited transactions" under Section 502 of ERISA or Section 4975 of the Code) in an aggregate amount exceeding (A) $2,500,000 in any year or (B) $5,000,000 for all periods, (ii) an ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan that constitutes grounds for appointment of a trustee for or termination by the PBGC of any Pension Plan or Multiemployer Plan; (iii) a Loan Party or ERISA Affiliate shall fail to pay when due any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan; or (iv) there shall be at any time a Lien imposed against the assets of any Loan Party or ERISA Affiliate under Section 412 or Section 430 of the Code or Sections 302, Section 303, or Section 4068 of ERISA.

(m) Invalidity of Loan Documents. Any Loan Document shall cease, for any reason, to be in full force and effect, or any Loan Party shall so assert in writing or shall disavow any of its obligations thereunder.

(n) Guarantees. The Loan Guaranty shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of the Loan Guaranty, or

any Guarantor shall fail to comply with any of the terms or provisions of the Loan Guaranty, or any Guarantor shall deny that it has any further liability under the Loan Guaranty or shall give notice to such effect, including, but not limited to notice of termination delivered pursuant to Article 11.

(o) Liens. Any Lien purported to be created under any Collateral Document shall cease to be, or shall be asserted by any Loan Party not to be, a valid and perfected Lien on any material portion of the Collateral, with the priority required by the applicable Collateral Document, except (i) as a result of the sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents or (ii) as a result of the Administrative Agent's failure to maintain possession of any stock certificates, promissory notes or other instruments delivered to it under the Security Agreement.

(p) Licenses. There shall occur the loss, suspension or revocation of, or failure to renew any license or permit now held or hereafter acquired if such loss, suspension, revocation or failure to renew could reasonably be expected to have a Material Adverse Effect.

(q) Change of Control. A Change of Control shall occur.

(r) Cessation of Business. (i) The determination of the Loan Parties, whether by vote of the Loan Parties' Board of Directors or otherwise to: suspend the operation of the Loan Parties' business in the ordinary course, liquidate all or substantially all of their assets or store locations, or employ an agent or other third party to conduct any so-called store closing, store liquidation or "Going-Out-Of-Business" sales for all or substantially all of the Loan Parties' stores or (ii) there shall occur a cessation of a substantial part of the business of any Loan Party which could reasonably be expected to have a Material Adverse Effect.

(s) Change of Management. The death, disability or failure of the chief executive officer of Borrower Agent as of the Closing Date or failure of such person to be an active member of the executive leadership team of Borrower Agent unless replaced within 180 days of such occurrence with a Person reasonably acceptable to Administrative Agent.

(t) Criminal Forfeiture. Any Loan Party shall be criminally indicted or convicted under any law that could lead to a forfeiture of any property of any Loan Party.

(u) Invalidity of Intercreditor Provisions. The provisions of the Intercreditor Agreement shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Loan Party shall contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations for any reason shall not have the priority contemplated by this Agreement or such intercreditor provisions.

Section 8.2 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, then, and in every such event (other than an event described in Section 8.1(h) or (i)), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower Agent, take either or both of the following actions (whether before or after the Closing Date), at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of each Loan Party accrued under the Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Loan Party, and in case of any event described in Section 8.1(h) or (i), the Commitments shall automatically terminate (whether

before or after the Closing Date) the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of each Loan Party accrued under the Loan Documents, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Loan Party.

Section 8.3 Application of Funds. After the exercise of remedies provided for in Section 8.2 (or after the Loans have automatically become immediately due and payable), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to the payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article 3), in each case payable to the Administrative Agent in its capacity as such;

Second, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations constituting fees, indemnities and other amounts, payable to the Credit Parties (including fees, charges and disbursements of counsel to the respective Credit Parties and amounts payable under Article 3), ratably among them in proportion to the respective amounts described in this clause Third payable to them;

Third, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations, ratably among the Credit Parties in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations constituting unpaid principal of the Loans, ratably among the Secured Parties in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the extent of any excess of such proceeds, to the payment of all other Obligations that are due and payable to the Secured Parties or any other holder of Obligations, or any of them, on such date, ratably based on the respective aggregate amounts of all such Obligations owing to the Secured Parties on such date; and

Last, to the extent of any excess of such proceeds, the balance, if any, after all of the Obligations (other than unasserted contingent indemnification and unasserted expense reimbursement obligations in each case not yet due and payable) have been paid in full, to the Borrowers or as otherwise required by law.

Notwithstanding anything to the contrary set forth above, Excluded Swap Obligations with respect to any Guarantor shall not be paid with amounts received from such Guarantor or its assets, but appropriate adjustments shall be made with respect to payments from other Loan Parties to preserve the allocation to Obligations otherwise set forth above in this Section.

ARTICLE 9

THE ADMINISTRATIVE AGENT

Section 9.1 Appointment and Authority. Each of the Lenders hereby irrevocably appoints Wingspire to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as

are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and neither any Borrower nor any other Loan Party shall have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

Section 9.2 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, the Company or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

Section 9.3 Exculpatory Provisions.

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may affect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 8.2 and Section 10.2), or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and non-appealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent in writing by the Borrower Agent or a Lender.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article 4 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) The Administrative Agent shall not be responsible or have any liability for, or have any duty to investigate a violation or potential violation of an Environmental Law or a Release or threat of Release of a Hazardous Material pursuant to Section 6.13, nor shall it have any liability for any action it takes or does not take in connection with any such investigation.

Section 9.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Loan Parties), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 9.5 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of this Agreement as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

Section 9.6 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower Agent. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower Agent, to appoint a successor, which shall be a bank with an office in New York, New York, or an Affiliate of any such bank with an office in New York, New York. If no such successor shall have been so appointed by the Required Lenders and shall have accepted

such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above, provided that in no event shall any such successor Administrative Agent be a Defaulting Lender. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower Agent and such Person remove such Person as Administrative Agent and, in consultation with the Borrower Agent, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (i) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (ii) except for any indemnity payments owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent (other than any rights to indemnity payments owed to the retiring or removed Administrative Agent), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrowers and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 10.3 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

Section 9.7 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 9.8 No Other Duties, Etc. Anything herein to the contrary notwithstanding, no agent listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender hereunder.

Section 9.9 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrowers) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 10.3) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent Section 10.3.

Section 9.10 Collateral and Guarantee Matters.

(a) The Secured Parties irrevocably authorize the Administrative Agent, at its option and in its discretion,

(i) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (A) at the Termination Date, (B) that is sold or otherwise Disposed of or to be sold or otherwise Disposed of as part of or in connection with any sale or other Disposition permitted under the Loan Documents (including all of the Collateral of a Guarantor which is released from its obligations under the Loan Documents pursuant to clause (iii) below); provided, however, any sale or Disposition of all or substantially all of the Collateral or all or substantially all of the value of the Guarantees under the Loan Guaranty shall be subject to Section 10.2(b), or (C) subject to Section 10.2, if approved, authorized or ratified in writing by the Required Lenders;

(ii) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.2(d); and

(iii) to release any Guarantor from its obligations under the Loan Documents if such Person ceases to be a Subsidiary as a result of a transaction permitted under the Loan Documents, provided, however, that the release of all or substantially all of the Collateral or all or substantially all of the value of the Guarantees under the Loan Guaranty shall be subject to Section 10.2(b).

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Loan Documents pursuant to this Section 9.10.

(b) The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

(c) Notwithstanding anything to the contrary set forth in this Section 9.10: (i) any Lien on any property granted to or held by the Administrative Agent under any Loan Document will be released and terminated automatically and without further action by the Administrative Agent or any Credit Party: (A) at the Termination Date; and (B) if such property is sold or otherwise Disposed of in connection with any sale or other Disposition expressly permitted under the Loan Documents (including all of the Collateral of a Guarantor which is released from its obligations under the Loan Documents pursuant to clause (ii) below); (ii) a Guarantor shall be released from its obligations under the Loan Documents automatically and without further action by the Administrative Agent or any Credit Party if such Person ceases to be a Subsidiary as a result of a transaction expressly permitted under the Loan Documents; and (iii) the Administrative Agent shall promptly execute and/or deliver to Borrower Agent any releases, terminations, instruments or other documents reasonably requested by Borrower Agent to evidence or further effect a release or termination contemplated by clauses (c)(i) or (c)(ii).

ARTICLE 10

MISCELLANEOUS

Section 10.1 Notices.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

(i) if to any Loan Party:

Arhaus, LLC
51 E. Hines Hill Road
Boston Heights, OH 44236
Attn: Dawn Philipson, Chief Financial Officer
Fax: 440-439-7075
Email: dphillipson@arhaus.com

with copy to:

Baker & Hostetler LLP
127 Public Square, Suite 2000
Cleveland, OH 44114
Attn: Phillip M Callesen
E-mail: pcallesen@bakerlaw.com

(ii) the Administrative Agent:

Wingspire Capital LLC
13010 Morris Road
Building One, Suite 175
Alpharetta GA 30004
Attn: Brian Long
E-mail: brian@wingspirecapital.com

with copy to:

Jeffrey M. Wolf, Esq.
Greenberg Traurig, LLP
One International Place
Suite 2000
Boston, MA 02110
Fax: (617) 279-8447
Email: wolfje@gtlaw.com

(iii) if to any other Credit Party, the address or electronic mail address number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. The Administrative Agent and each of its Affiliates is authorized to transmit, post or otherwise make or communicate, in its sole discretion (but shall not be required to do so), by Approved Electronic Communications in connection with this Agreement or any other Loan Document and the transactions contemplated therein. The Administrative Agent is hereby authorized to establish procedures to provide access to and to make available or deliver, or to accept, notices, documents and similar items by posting to ABLSoft. All uses of ABLSoft and other Approved Electronic Communications shall be governed by and subject to, in addition to the terms of this Agreement, the separate terms, conditions and privacy policy posted or referenced in such system (or such terms, conditions and privacy policy as may be updated from time to time, including on such system) and any related contractual obligations executed by the Administrative Agent and Loan Parties in connection with the use of such system. Each of the Loan Parties and the Administrative Agent hereby acknowledges and agrees that the use of ABLSoft and other Approved Electronic Communications is not necessarily secure and that there are risks associated with such use, including risks of interception, disclosure and abuse and each indicates it assumes and accepts such risks by hereby authorizing the Administrative Agent and each of its Affiliates to transmit Approved Electronic Communications. ABLSoft and all Approved Electronic Communications shall be provided “as is” and “as available”. None of the Administrative Agent or any of its Affiliates or related persons warrants the accuracy, adequacy or completeness of ABLSoft or any other electronic platform or electronic transmission and disclaims all liability for errors or omissions therein. No

warranty of any kind is made by the Administrative Agent or any of its Affiliates or related persons in connection with ABLSoft or any other electronic platform or electronic transmission, including any warranty of merchantability, fitness for a particular purpose, non- infringement of third-party rights or freedom from viruses or other code defects. Each of Borrower and each other Loan Party executing this Agreement agrees that the Administrative Agent has no responsibility for maintaining or providing any equipment, software, services or any testing required in connection with ABLSoft, any Approved Electronic Communication or otherwise required for ABLSoft or any Approved Electronic Communication. No Approved Electronic Communications shall be denied legal effect merely because it is made electronically. Approved Electronic Communications that are not readily capable of bearing either a signature or a reproduction of a signature may be signed, and shall be deemed signed, by attaching to, or logically associating with such Approved Electronic Communication, an E-Signature, upon which the Administrative Agent and the Loan Parties may rely and assume the authenticity thereof. Each Approved Electronic Communication containing a signature, a reproduction of a signature or an E-Signature shall, for all intents and purposes, have the same effect and weight as a signed paper original. Each E-Signature shall be deemed sufficient to satisfy any requirement for a "signature" and each Approved Electronic Communication shall be deemed sufficient to satisfy any requirement for a "writing", in each case including pursuant to this Agreement, any other Loan Document, the UCC, the Federal Uniform Electronic Transactions Act, the Electronic Signatures in Global and National Commerce Act and any substantive or procedural law governing such subject matter. Each party or beneficiary hereto agrees not to contest the validity or enforceability of an Approved Electronic Communication or E-Signature under the provisions of any applicable law requiring certain documents to be in writing or signed; provided, that nothing herein shall limit such party's or beneficiary's right to contest whether an Approved Electronic Communication or E-Signature has been altered after transmission.

(c) Change of Address, Etc. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

Section 10.2 Waivers; Amendments.

(a) No failure or delay by any Credit Party in exercising any right or power under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Credit Parties under the Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether any Credit Party may have had notice or knowledge of such Default at the time.

(b) Except as expressly provided by Section 3.3(b), or in the other paragraphs of this Section 10.2, neither this Agreement, any other Loan Document (other than the Fee Letter) nor any provision thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Loan Parties and the Required Lenders, or by the Borrowers and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall:

(i) extend or increase any Commitment of any Lender without the written consent of such Lender (it being understood that a waiver of any condition precedent set forth in Article 4 or the waiver of any Default shall not constitute an extension or increase of any Commitment of any Lender);

(ii) reduce the principal amount of any Loan or reduce the rate of any interest, or reduce any fees or other amounts, payable under the Loan Documents, without the written consent of each Credit Party directly and adversely affected thereby; provided that only the consent of the Required Lenders shall be necessary to amend or modify any financial covenant set forth in Section 7.12, any defined terms used therein or the definition of "Default Rate" or to waive any obligation of the Borrowers to pay interest at the Default Rate, in each case, notwithstanding the fact that any such amendment or modification actually results in reduction in the rate of interest or fees;

(iii) postpone any date scheduled for any payment of principal of, or interest on, any Loan, or any fees or other amounts payable hereunder or under any other Loan Document, or reduce the amount of, waive or excuse any such payment, or postpone the stated termination or expiration of the Revolving Commitments or reduce the amount of or postpone the date of any prepayment required by Section 2.5(b) without the written consent of each Credit Party directly and adversely affected thereby;

(iv) except as provided in subsection (c) below change any provision hereof in a manner that would alter the pro rata sharing of payments required by Section 2.8(b) or the pro rata reduction of Revolving Commitments required by Section 2.5(d), without the written consent of each Credit Party directly and adversely affected thereby;

(v) change any of the provisions of this Section or the definition of the terms "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder;

(vi) change the currency in which any Commitment or Loan is, or is to be, denominated without the written consent of each Lender directly affected thereby;

(vii) release any Guarantor from its Guarantee under the Loan Guaranty (except as expressly provided therein or in Section 9.10), or limit its liability in respect of such Guarantee, without the written consent of each Lender;

(viii) release all or substantially all of the Collateral from the Liens of the Loan Documents (except as expressly provided in the applicable Collateral Document or in connection with a transaction permitted by Section 7.3), without the consent of each Lender; or

(ix) make any modification to the definition of the term "Borrowing Base" (or any defined term used in the definition of "Borrowing Base") which would have the effect of increasing the availability thereunder to the Loan Parties (other than changes in Reserves implemented by the Administrative Agent in accordance with the terms of this Agreement), without the written consent of each Lender;

provided, further, that no such amendment, waiver or consent shall amend, modify or otherwise affect the rights or duties hereunder or under any other Loan Document of the Administrative Agent, unless in writing executed by the Administrative Agent, in addition to the Borrowers and the Lenders required above.

(c) Notwithstanding anything herein to the contrary, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent that by its terms requires the consent of all the Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) except

as set forth in Section 2.8, the Commitment of any Defaulting Lender may not be increased or extended, or the maturity of any of its Loan may not be extended, the rate of interest on any of its Loans may not be reduced and the principal amount of any of its Loans may not be forgiven, in each case without the consent of such Defaulting Lender and (y) any amendment, waiver or consent requiring the consent of all the Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than the other affected Lenders shall require the consent of such Defaulting Lender.

(d) In addition, notwithstanding anything in this Section to the contrary, if the Administrative Agent and the Borrowers shall have jointly identified an obvious error or any error or omission of a technical nature, in each case, in any provision of the Loan Documents, then the Administrative Agent and the Borrowers shall be permitted to amend such provision, and, in each case, such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Required Lenders to the Administrative Agent within ten Business Days following receipt of notice thereof.

(e) Notwithstanding anything in this Section to the contrary, any amendment contemplated by Section 3.3(b) of this Agreement in connection with a Benchmark Transition Event of an Early Opt-in Election shall be effective as contemplated by such Section 3.3(b).

Section 10.3 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Loan Parties, jointly and severally, shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including Attorney Costs of counsel for the Administrative Agent, fees, costs and expenses incurred by Administrative Agent in connection with forwarding to Borrowers the proceeds of Loans including Administrative Agent's or any Lenders' standard wire transfer fee, bank charges incurred by Administrative Agent in establishing, maintaining and handling lock box accounts, blocked accounts or other accounts for collection of the Collateral), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Credit Party (including Attorney Costs of the Administrative Agent or any Credit Party), in connection with the enforcement or protection of its rights (whether through negotiations, legal proceedings or otherwise) (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by Loan Parties. The Loan Parties, jointly and severally, shall indemnify the Administrative Agent (and any sub-agent thereof), each Credit Party, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including Attorney Costs), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Materials at, on, under or from any property owned or operated by any Loan Party or any of its Subsidiaries, or any Environmental Claim or Environmental Liability related in any way to any Loan Party or any of its Subsidiaries, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of

the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Loan Party, and regardless of whether any Indemnitee is a party thereto or (v) any government investigation, audit, hearing or enforcement action resulting from any Loan Party's or any of its Affiliate's noncompliance (or purported noncompliance) with any applicable Sanctions, other Anti-Terrorism Laws or Anti-Corruption Laws (it being understood and agreed that the Indemnitees shall be entitled to indemnification pursuant to this clause (including indemnification for fines, penalties and other expenses) regardless of whether any adverse finding is made against any Loan Party or any of its Affiliates), provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by any Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if such Loan Party has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction. To the extent that the indemnity set forth above in this paragraph shall be held to be unenforceable in whole or in part because it is violative of any law or public policy, the Loan Parties shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all indemnified amounts incurred by Indemnitees or any of them.

(c) Reimbursement by Lenders. To the extent that the Loan Parties for any reason fail to indefeasibly pay any amount required under paragraph (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof) or any Related Party, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); provided, that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or against any Related Party acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this paragraph (c) are subject to the provisions of Section 2.6(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, no Loan Party shall assert, and each Loan Party hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section shall be payable on demand.

Section 10.4 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance

with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (e) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of Credit Party) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and/or the Loans at the time owing to it or contemporaneous assignments to related Approved Funds (determined after giving effect to such assignments) that equal at least the amount specified in paragraph (b)(i)(B) of this Section in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower Agent otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by paragraph (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower Agent (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender (other than a Defaulting Lender), an Affiliate of a Lender (other than a Defaulting Lender) or an Approved Fund, provided that the Borrower Agent shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five Business Days after written notice of such assignment shall have delivered to the Borrower Agent; and

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments to a Person who is not a Lender, an Affiliate of a Lender or an Approved Fund.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, and the assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. In addition, each assignee shall, on or before the effective date of such assignment, deliver to the Borrower Agent and the Administrative Agent certification as to exemption from deduction or withholding of any United States Taxes in accordance with Section 3.5 (g).

(v) No Assignment to Certain Persons. No such assignment shall be made to (A) the Company or any of the Company's Affiliates or Subsidiaries, (B) any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute a Defaulting Lender or a Subsidiary thereof or (C) a Person who, at the time of such assignment, is a Sanctioned Person if such assignment would violate applicable law.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person).

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the prior written consent of the Borrower Agent and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Section 3.5 and Section 10.3 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower Agent or the Administrative Agent, sell participations to any Person (other than (i) a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person), (ii) the Company or any of the Company's Affiliates or Subsidiaries, (iii) any Defaulting Lender or any of its Subsidiaries, or (iv) a Person who, at the time of such participation, is a Sanctioned Person if the sale of such participation would violate applicable law) (each, a " Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Commitment and/or the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (C) the Borrowers, the Administrative Agent and each Credit Party shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in Section 10.2(b) that affects such Participant. Each Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.4 and 3.5 (subject to the requirements and limitations therein, including the requirements under Section 3.5 (it being understood that the documentation required under Section 3.5(g) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 3.6 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Section 3.5, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower Agent's request and expense, to use reasonable efforts to cooperate with the Borrowers to effectuate the provisions of Section 3.6(b) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.8 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.6(h) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the

Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement and the Loan Documents to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Cashless Settlement. Notwithstanding anything to the contrary contained in this Agreement, any Lender may exchange, continue or rollover all or a portion of its Loans in connection with any refinancing, extension, loan modification or similar transaction permitted by the terms of this Agreement, pursuant to a cashless settlement mechanism approved by the Borrower Agent, the Administrative Agent and such Lender.

Section 10.5 Survival. All covenants, agreements, representations and warranties made by Loan Parties herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of any Loan Document and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Credit Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under the Loan Documents is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 3.4, 3.5, 10.3, 10.9, and 10.10 and Article 9 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby or the Termination Date.

Section 10.6 Counterparts; Integration; Effectiveness; Electronic Execution.

(a) Counterparts; Integration; Effectiveness. this Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.1, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (e.g., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Assignments. The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 10.7 Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.8 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Credit Party and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by Credit Party or any such Affiliate to or for the credit or the account of any Loan Party or any of its Subsidiaries against any and all of the obligations of such Loan Party or such Subsidiary now or hereafter existing under this Agreement or any other Loan Document to such Credit Party or Affiliate, irrespective of whether or not such Credit Party shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Loan Party or Subsidiary may be contingent or unmatured or are owed to a branch or office of such Credit Party different from the branch or office holding such deposit or obligated on such indebtedness, provided, that in the event that any Defaulting Lender shall exercise any right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.7 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Credit Party and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Credit Party and its Affiliates may have. Each Credit Party agrees to notify the Borrower Agent and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 10.9 Governing Law; Jurisdiction; Consent to Service of Process.

(a) Governing Law. this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Submission to Jurisdiction. Each of Loan Parties irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the courts of the State of New York sitting in New York County and of the United States District Court of the for the Southern District of New York and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that any Credit Party may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Company or any other Loan Party or its properties in the courts of any jurisdiction.

(c) Waiver of Objection to Venue. Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process. Each of the parties hereto irrevocably consents to service of process in the manner provided for notices in Section 10.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 10.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.11 Payments Set Aside. To the extent that any payment by or on behalf of the Borrowers is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or Fraudulent Transfer Law, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Effective Rate.

Section 10.12 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 10.13 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest thereon under applicable law (collectively the "charges"), shall exceed the maximum lawful rate (the "maximum rate") that may be contracted for, charged, taken, received or reserved by the Lender holding an interest in such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all of the charges payable in respect thereof, shall be limited to the maximum rate and, to the extent lawful, the interest and the charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated, and the interest and the charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the maximum rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 10.14 Treatment of Certain Information; Confidentiality.

(a) Each Credit Party agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party hereto, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section, to (A) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (B) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the Borrowers and their obligations, this Agreement or payments hereunder, (vii) on a confidential basis to (A) any rating agency in connection with rating the Borrowers, their Subsidiaries or this Agreement or (B) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the credit facilities, (viii) with the consent of the Borrower Agent or (ix) to the extent such Information (A) becomes publicly available other than as a result of a breach of this Section or (B) becomes available to the Administrative Agent, any Credit Party or any of their respective Affiliates on a non-confidential basis from a source other than a Loan Party or (C) is independently generated by the Administrative Agent, any Credit Party or any of their respective Affiliates. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, league table providers and other similar service providers to the lending industry and service providers to the Administrative Agent and the Lenders.

(b) For purposes of this Section, "Information" means all information received from any Loan Party or any of its Subsidiaries relating to any Loan Party or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any other Credit Party on a non-confidential basis prior to disclosure by any Loan Party or any Subsidiary or that is independently prepared by the Administrative Agent or any other Credit Party, provided that, in the case of information received from any Loan Party or any of its Subsidiaries after the Closing Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. Notwithstanding anything herein to the contrary, "Information" shall not include, and each Credit Party (and their Affiliates and respective partners, directors, officers, employees, agents, advisors and representatives) may disclose to any and all persons, without limitation of any kind, any information with respect to the U.S. federal income tax treatment and U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to such Credit Party relating to such tax treatment and tax structure.

(c) The Loan Parties agree, on behalf of themselves and their Affiliates, that they will not in the future issue any press releases or other public disclosure using the name of the Administrative Agent or any Lender or their respective Affiliates or referring to this Agreement or any of the other Loan

Documents without the prior written consent of such Person, unless (and only to the extent that) the Loan Parties or such Affiliate is required to do so under law and then, in any event, the Loan Parties or such Affiliate will consult with such Person before issuing such press release or other public disclosure.

(d) The Loan Parties consent to the publication by the Administrative Agent or any Lender of customary advertising material relating to the Transactions using the name, product photographs, logo or trademark of the Loan Parties.

Section 10.15 USA PATRIOT Act Notice. Each Lender that is subject to the USA PATRIOT Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Loan Parties that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the USA PATRIOT Act. The Company shall, and shall cause each Subsidiary to, provide such information and take such actions as are reasonably requested by the Administrative Agent or any Lender in order to assist the Administrative Agent and the Lenders in maintaining compliance with the USA PATRIOT Act.

Section 10.16 No Fiduciary Duty. Each Loan Party agrees that in connection with all aspects of the transactions contemplated hereby and any communications in connection therewith, such Loan Party and its Affiliates, on the one hand, and the Administrative Agent, the other Credit Parties and their respective Affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Administrative Agent, the other Credit Parties or their respective Affiliates and no such duty will be deemed to have arisen in connection with any such transactions or communications.

Section 10.17 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

Section 10.18 Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and its Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Company or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans or the Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84- 14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and its Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Company or any other Loan Party, that:

(i) none of the Administrative Agent nor any of its Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto),

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least $50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E),

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations),

(iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loans, the Commitments and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and

(v) no fee or other compensation is being paid directly to the Administrative Agent or any its Affiliates for investment advice (as opposed to other services) in connection with the Loans, the Commitments or this Agreement.

(c) The Administrative Agent hereby informs the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Commitments and this Agreement, (ii) may recognize a gain if it extended the Loans or the Commitments for an amount less than the amount being paid for an interest in the Loans, or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative or other agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

Section 10.19 The Company as Agent for Borrowers. Each Borrower hereby irrevocably appoints Company as the borrowing agent and attorney-in-fact for all Borrowers (the "Borrower Agent") which appointment shall remain in full force and effect unless and until the Administrative Agent shall have received prior written notice signed by each Borrower that such appointment has been revoked and that another Borrower has been appointed Borrower Agent. Each Borrower hereby irrevocably appoints and authorizes the Borrower Agent (a) to provide the Administrative Agent with all notices with respect to Loans obtained for the benefit of any Borrower and all other notices and instructions under this Agreement and the other Loan Documents (and any notice or instruction provided by Borrower Agent shall be deemed to be given by Borrowers hereunder and shall bind each Borrower), (b) to receive notices and instructions from any Credit Party (and any notice or instruction provided by any Credit Party to the Borrower Agent in accordance with the terms hereof shall be deemed to have been given to each Borrower), and (c) to take such action as the Borrower Agent deems appropriate on its behalf to obtain Revolving Loans and to exercise such other powers as are reasonably incidental thereto to carry out the purposes of this Agreement. It is understood that the handling of the Loans and Collateral in a combined fashion, as more fully set forth herein, is done solely as an accommodation to Borrowers in order to utilize the collective borrowing powers of Borrowers in the most efficient and economical manner and at their request, and that no Credit Party shall incur liability to any Borrower as a result hereof. Each Borrower expects to derive benefit, directly or indirectly, from the handling of the Loans and the Collateral in a combined fashion since the successful operation of each Borrower is dependent on the continued successful performance of the integrated group.

To induce the Credit Parties to do so, and in consideration thereof, each Borrower hereby jointly and severally agrees to indemnify each Credit Party and hold each Credit Party harmless against any and all liability, expense, loss or claim of damage or injury, made against such Credit Party by any Borrower or by any third party whosoever, arising from or incurred by reason of (i) the handling of the Loans and Collateral of Borrowers as herein provided, or (ii) such Credit Party's relying on any instructions of the Borrower Agent, except that Borrowers will have no liability to the relevant Credit Party under this Section 10.19 with respect to any liability that has been finally determined by a court of competent jurisdiction to have resulted solely from the gross negligence or willful misconduct of such Credit Party, as the case may be.

Section 10.20 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Agreements or any other agreement or instrument that is a QFC (such support "QFC Credit Support" and each such QFC a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

ARTICLE 11

LOAN GUARANTY

Section 11.1 Guaranty. Each Loan Guarantor (other than those that have delivered a separate Guaranty) hereby agrees that it is jointly and severally liable for, and, as a primary obligor and not merely as surety, absolutely, unconditionally and irrevocably guarantees to the Secured Parties, the prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of the Obligations and all costs and expenses, including, without limitation, all court costs and attorneys' and paralegals' fees (including allocated costs of in-house counsel and paralegals) and expenses paid or incurred by the Administrative Agent and the Lenders in endeavoring to collect all or any part of the Obligations from, or in prosecuting any action against, any Borrower, any Loan Guarantor or any other guarantor of all or any part of the Obligations (such costs and expenses, together with the Obligations, collectively the "Guaranteed Obligations"; provided, however, that the definition of "Guaranteed

Obligations" shall not create any guarantee by any Loan Guarantor of (or grant of security interest by any Loan Guarantor to support, as applicable) any Excluded Swap Obligations of such Loan Guarantor for purposes of determining any obligations of any Loan Guarantor). Each Loan Guarantor further agrees that the Guaranteed Obligations may be extended or renewed in whole or in part without notice to or further assent from it, and that it remains bound upon its guarantee notwithstanding any such extension or renewal. All terms of this Loan Guaranty apply to and may be enforced by or on behalf of any domestic or foreign branch or Affiliate of any Lender that extended any portion of the Guaranteed Obligations.

Section 11.2 Guaranty of Payment. This Loan Guaranty is a guaranty of payment and not of collection. Each Loan Guarantor waives any right to require the Administrative Agent or any Lender to sue any Borrower, any Loan Guarantor, any other guarantor of, or any other Person obligated for, all or any part of the Guaranteed Obligations (each, an "Obligated Party"), or otherwise to enforce its payment against any collateral securing all or any part of the Guaranteed Obligations.

Section 11.3 No Discharge or Diminishment of Loan Guaranty.

(a) Except as otherwise provided for herein, the obligations of each Loan Guarantor hereunder are unconditional and absolute and not subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full of the Guaranteed Obligations), including: (i) any claim of waiver, release, extension, renewal, settlement, surrender, alteration or compromise of any of the Guaranteed Obligations, by operation of law or otherwise; (ii) any change in the corporate existence, structure or ownership of any Borrower or any other Obligated Party liable for any of the Guaranteed Obligations; (iii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Obligated Party or their assets or any resulting release or discharge of any obligation of any Obligated Party; or (iv) the existence of any claim, setoff or other rights which any Loan Guarantor may have at any time against any Obligated Party, the Administrative Agent, any Lender, or any other Person, whether in connection herewith or in any unrelated transactions.

(b) The obligations of each Loan Guarantor hereunder are not subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any of the Guaranteed Obligations or otherwise, or any provision of applicable law or regulation purporting to prohibit payment by any Obligated Party, of the Guaranteed Obligations or any part thereof.

(c) Further, the obligations of any Loan Guarantor hereunder are not discharged or impaired or otherwise affected by: (i) the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any remedy with respect to all or any part of the Guaranteed Obligations; (ii) any waiver or modification of or supplement to any provision of any agreement relating to the Guaranteed Obligations; (iii) any release, non-perfection or invalidity of any indirect or direct security for the obligations of any Borrower for all or any part of the Guaranteed Obligations or any obligations of any other Obligated Party liable for any of the Guaranteed Obligations; (iv) any action or failure to act by the Administrative Agent or any Lender with respect to any collateral securing any part of the Guaranteed Obligations; or (v) any default, failure or delay, willful or otherwise, in the payment or performance of any of the Guaranteed Obligations, or any other circumstance, act, omission or delay that might in any manner or to any extent vary the risk of such Loan Guarantor or that would otherwise operate as a discharge of any Loan Guarantor as a matter of law or equity (other than the indefeasible payment in full of the Guaranteed Obligations).

Section 11.4 Defenses Waived. To the fullest extent permitted by applicable law, each Loan Guarantor hereby waives any defense based on or arising out of any defense of any Borrower or any Loan Guarantor or the unenforceability of all or any part of the Guaranteed Obligations from any cause, or the

cessation from any cause of the liability of any Borrower, any Loan Guarantor or any other Obligated Party, other than indefeasible payment in full of the Guaranteed Obligations. Without limiting the generality of the foregoing, each Loan Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Obligated Party or any other Person. Each Loan Guarantor confirms that it is not a surety under any state law and shall not raise any such law as a defense to its obligations hereunder. The Administrative Agent may, at its election, foreclose on any Collateral held by it by one or more judicial or nonjudicial sales, accept an assignment of any such Collateral in lieu of foreclosure or otherwise act or fail to act with respect to any collateral securing all or a part of the Guaranteed Obligations, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with any Obligated Party or exercise any other right or remedy available to it against any Obligated Party, without affecting or impairing in any way the liability of such Loan Guarantor under this Loan Guaranty except to the extent the Guaranteed Obligations have been paid in full. To the fullest extent permitted by applicable law, each Loan Guarantor waives any defense arising out of any such election even though that election may operate, pursuant to applicable law, to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Loan Guarantor against any Obligated Party or any security.

Section 11.5 Rights of Subrogation. No Loan Guarantor will assert any right, claim or cause of action, including, without limitation, a claim of subrogation, contribution or indemnification, that it has against any Obligated Party or any collateral, until the Termination Date.

Section 11.6 Reinstatement; Stay of Acceleration. If at any time any payment of any portion of the Guaranteed Obligations (including a payment effected through exercise of a right of setoff) is rescinded, or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of any Borrower or otherwise (including pursuant to any settlement entered into by a Secured Party in its discretion), each Loan Guarantor's obligations under this Loan Guaranty with respect to that payment shall be reinstated at such time as though the payment had not been made and whether or not the Administrative Agent and the Lenders are in possession of this Loan Guaranty. If acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of any Borrower, all such amounts otherwise subject to acceleration under the terms of any agreement relating to the Guaranteed Obligations shall nonetheless be payable by the Loan Guarantors forthwith on demand by the Administrative Agent.

Section 11.7 Information. Each Loan Guarantor assumes all responsibility for being and keeping itself informed of the Borrowers' financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks that each Loan Guarantor assumes and incurs under this Loan Guaranty, and agrees that none of the Administrative Agent or any Lender shall have any duty to advise any Loan Guarantor of information known to it regarding those circumstances or risks.

Section 11.8 Termination. Each of the Lenders may continue to make loans or extend credit to the Borrowers based on this Loan Guaranty until five days after it receives written notice of termination from any Loan Guarantor. Notwithstanding receipt of any such notice, each Loan Guarantor will continue to be liable to the Lenders for any Guaranteed Obligations created, assumed or committed to prior to the fifth day after receipt of the notice, and all subsequent renewals, extensions, modifications and amendments with respect to, or substitutions for, all or any part of such Guaranteed Obligations. Nothing in this Section 11.08 shall be deemed to constitute a waiver of, or eliminate, limit, reduce or otherwise impair any rights or remedies the Administrative Agent or any Lender may have in respect of, any Default or Event of Default that shall exist under clause (m) of Article 8 hereof as a result of any such notice of termination.

Section 11.9 Taxes. Each payment of the Guaranteed Obligations will be made by each Loan Guarantor without withholding for any Taxes, unless such withholding is required by law. If any Loan Guarantor determines, in its sole discretion exercised in good faith, that it is so required to withhold Taxes, then such Loan Guarantor may so withhold and shall timely pay the full amount of withheld Taxes to the relevant Governmental Authority in accordance with applicable law. If such Taxes are Indemnified Taxes, then the amount payable by such Loan Guarantor shall be increased as necessary so that, net of such withholding (including such withholding applicable to additional amounts payable under this Section), the Administrative Agent or Lender receives the amount it would have received had no such withholding been made.

Section 11.10 Maximum Liability. Notwithstanding any other provision of this Loan Guaranty, the amount guaranteed by each Loan Guarantor hereunder shall be limited to the extent, if any, required so that its obligations hereunder shall not be subject to avoidance under Section 548 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, Uniform Voidable Transactions Act or similar statute or common law. In determining the limitations, if any, on the amount of any Loan Guarantor's obligations hereunder pursuant to the preceding sentence, it is the intention of the parties hereto that any rights of subrogation, indemnification or contribution which such Loan Guarantor may have under this Loan Guaranty, any other agreement or applicable law shall be taken into account.

Section 11.11 Contribution.

(a) To the extent that any Loan Guarantor shall make a payment under this Loan Guaranty (a "Guarantor Payment") which, taking into account all other Guarantor Payments then previously or concurrently made by any other Loan Guarantor, exceeds the amount which otherwise would have been paid by or attributable to such Loan Guarantor if each Loan Guarantor had paid the aggregate Guaranteed Obligations satisfied by such Guarantor Payment in the same proportion as such Loan Guarantor's "Allocable Amount" (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Loan Guarantors as determined immediately prior to the making of such Guarantor Payment, then, following indefeasible payment in full in cash of the Guarantor Payment and the indefeasible payment in full of the Guaranteed Obligations and the termination of this Agreement, such Loan Guarantor shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Loan Guarantor for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment.

(b) As of any date of determination, the "Allocable Amount" of any Loan Guarantor shall be equal to the excess of the fair saleable value of the property of such Loan Guarantor over the total liabilities of such Loan Guarantor (including the maximum amount reasonably expected to become due in respect of contingent liabilities, calculated, without duplication, assuming each other Loan Guarantor that is also liable for such contingent liability pays its ratable share thereof), giving effect to all payments made by other Loan Guarantors as of such date in a manner to maximize the amount of such contributions.

(c) This Section 11.11 is intended only to define the relative rights of the Loan Guarantors, and nothing set forth in this Section 11.11 is intended to or shall impair the obligations of the Loan Guarantors, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Loan Guaranty.

(d) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Loan Guarantor or Loan Guarantors to which such contribution and indemnification is owing.

(e) The rights of the indemnifying Loan Guarantors against other Loan Guarantors under this Section 11.11 shall be exercisable upon the indefeasible payment in full of the Guaranteed Obligations and the termination of this Agreement.

Section 11.12 Liability Cumulative. The liability of each Loan Party as a Loan Guarantor under this Article 11 is in addition to and shall be cumulative with all liabilities of each Loan Party to the Administrative Agent and the Lenders under this Agreement and the other Loan Documents to which such Loan Party is a party or in respect of any obligations or liabilities of the other Loan Parties, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

Section 11.13 Keepwell. Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under this Guarantee in respect of a Swap Obligation (provided, however, that each Qualified ECP Guarantor shall only be liable under this Section 11.13 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 11.13 or otherwise under this Loan Guaranty voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). Except as otherwise provided herein, the obligations of each Qualified ECP Guarantor under this Section 11.13 shall remain in full force and effect until the termination of all Swap Obligations. Each Qualified ECP Guarantor intends that this Section 11.13 constitute, and this Section 11.13 shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

[Continued on following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWERS:

ARHAUS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

GUARANTORS:

ARHAUS GIFT CARDS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

ARHAUS MANAGEMENT, INC.

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

HOMEWORKS LOGISTICS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

NORTHERN WOODS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

TB ARHAUS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

WINGSPIRE CAPITAL LLC, as the Administrative Agent and a Lender

By: /s/ John Rosin
Name: John Rosin
Title: President and Chief Operating Officer

Exhibit 10.10

Execution version

WAIVER AND FIRST AMENDMENT TO CREDIT AGREEMENT

This WAIVER AND FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is entered into as of September 30, 2020, among ARHAUS, LLC, a Delaware limited liability company (the "Company"), the Subsidiaries of the Company party hereto as "Borrowers" (the Company, together with such subsidiaries each, a "Borrower" and individually and collectively, jointly and severally, the "Borrowers"), the Subsidiaries of the Company party hereto as Guarantors (each, a "Guarantor" and collectively, the "Guarantors"), the Lenders party hereto, and WINGSPIRE CAPITAL LLC, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the "Administrative Agent").

RECITALS

WHEREAS, the Borrowers, the Guarantors, the Lenders party thereto, and the Administrative Agent, are parties to that certain Credit Agreement dated as of June 25, 2020 (as amended, restated, supplemented, or otherwise modified prior to the date hereof, the "Credit Agreement"); and

WHEREAS, the Borrowers have advised the Administrative Agent that certain Events of Default have occurred and are continuing and have requested that the Lenders provide a one-time limited waiver thereof; and

WHEREAS, the Borrowers have requested that the Administrative Agent and the Lenders agree to amend certain of the terms and conditions of the Credit Agreement, as more particularly set forth herein; and

WHEREAS, the Administrative Agent and the Lenders party hereto have agreed to provide such waiver and agree to such amendments, subject to and on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the agreements herein contained and other good and valuable consideration, the parties agree as follows:

1. **Defined Terms**. Capitalized terms used in this Amendment which are defined in the Credit Agreement shall have the same meanings as defined therein, unless otherwise defined herein.

2. **Waiver**.

(a) Certain Events of Default have occurred and are continuing pursuant to (i) Section 8.1(c) of the Credit Agreement as a result of the Borrower's failure to disclose certain leased store locations as required by Section 5.19 of the Credit Agreement, as such locations are set forth on Part (a)(i) of Schedule 1 to this Amendment and (ii) Section 8.1(d) of the Credit Agreement as a result of the Borrower's failure to provide not less than 30 days' prior written notice to the Administrative Agent of any Inventory with a fair market value in excess of $25,000 being kept at a location other than locations set forth on Schedule 4 to the Security Agreement, and to provide an update to such Schedule 4, as

required by Section 5.3(i) of the Security Agreement, as such locations are set forth on Part (a)(ii) of Schedule 1 to this Amendment 1 to this Amendment (collectively, the "Existing Defaults"). Effective as of the date hereof, subject to the satisfaction of the conditions set forth in Section 4 hereof, the Lenders hereby waive the Existing Defaults.

(b) The waiver of the Existing Defaults contained in this Section 2 is a limited waiver and (i) shall only be relied upon and used for the specific purpose set forth herein, (ii) shall not constitute nor be deemed to constitute a waiver, except as otherwise expressly set forth herein, of (a) any Default or Event of Default or (b) any term or condition of the Loan Agreement and the other Loan Documents, (iii) shall not constitute nor be deemed to constitute a consent by the Lender to anything other than the specific purpose set forth herein and (iv) shall not constitute a custom or course of dealing among the parties hereto.

3. **Amendments**. Subject to the satisfaction (or waiver in writing) of all conditions precedent set forth in this Amendment, the Credit Agreement is hereby amended as follows:

(a) Schedule 5.19(a) of the Credit Agreement is amended and restated in its entirety and replaced by Schedule 5.19(a) attached to this Amendment.

(b) The definition of "Cash Dominion Trigger Period" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

> "Cash Dominion Trigger Period" means the period commencing on the first date that that Administrative Agent notifies the Borrowers that a Cash Dominion Trigger Event has occurred and continuing until the date that (a) no Event of Default shall be continuing and (b) Availability is greater than or equal to $10,000,000 for a period of at least 30 consecutive calendar days.

(c) Section 5.19 of the Credit Agreement is hereby amended by replacing each reference therein to "Schedule 5.19" with a reference to "Schedule 5.19(a)".

(d) Section 6.15(a) of the Credit Agreement is hereby amended by deleting the second sentence thereof in its entirety and inserting the following text in its stead:

> Together with each delivery of each Borrowing Base Certificate pursuant to the first sentence of this Section 6.15(a), the Loan Parties shall deliver to the Administrative Agent, in the form reasonably acceptable to the Administrative Agent, (i) reconciliations of the Credit Card Receivables as shown on the Borrowing Base Certificate for the immediately preceding month or week, as applicable, to the Loan Parties' general ledger and to the Loan Parties' most recent financial statements, (ii) a reasonably detailed accounts payable aging, (iii) reconciliations of the Loan Parties' Inventory as shown on the Loan Parties' perpetual inventory, to the Loan Parties' general ledger and to the Loan Parties' financial statements, (iv) Inventory reports in such format and detail as the Administrative Agent shall request and which shall include a current list of all locations of the Loan Parties' Inventory, all with supporting materials as the Administrative Agent shall reasonably request, (v) the most recent statement for the Company's account #210232259 maintained at JPMorgan Chase Bank, N.A. or

any replacement or additional collection account maintained by the Loan Parties from time to time and (vi) (A) a schedule of planned store openings by date, (B) for any such location owned by a Loan Party or for which a lease has commenced, a supplement to Schedule 5.19(a) in the form attached hereto as Exhibit B-1 setting forth the information with respect to such location contemplated by Section 5.19 and (C) at least 30 days before the date on which any Inventory or Equipment with a fair market value in excess of $25,000 will be kept at any location, a supplement to Schedule 4 of the Security Agreement in the form attached hereto as Exhibit B-2 setting forth the information with respect to such location required by Schedule 4 of the Security Agreement.

(e) Section 10.4 of the Credit Agreement is hereby amended by inserting the following text as a new clause (g) at the end thereof:

(g) Transactions Among Wingspire Affiliates. Notwithstanding anything in this Agreement or any other Loan Document to the contrary, (A) neither Wingspire nor any Affiliate thereof (each, a "Wingspire Party") shall be required to comply with this Section 10.04 in connection with any transaction involving any Wingspire Party or any of its or their lenders or funding or financing sources, and no Wingspire Party shall have any obligation to disclose any such transaction to any Person, and (B) there shall be no limitation or restriction on (i) the ability of any Wingspire Party to assign or otherwise transfer its rights and/or obligations under this Agreement or any other Loan Document, any Commitment, any Loan, or any other Obligation to any Wingspire Party or any lender or financing or funding source of a Wingspire Party or (ii) the ability of any such lender or funding or financing source to assign or otherwise transfer its rights and/or obligations under this Agreement or any other Loan Document, any Commitment, any Loan, or any other Obligation; provided, however, that to the extent that any Wingspire Party or any such other Person covered by the provisions of this Section 10.04(g) fails to qualify as a "Lender" under this Agreement, Wingspire shall continue to be responsible for all of its obligations under this Agreement and the other Loan Documents as a "Lender". Without limiting the foregoing, any assignment by Wingspire of its rights and obligations to a Wingspire Party under this Agreement may include Wingspire's rights and obligations as the Administrative Agent hereunder and, in such event, the applicable Wingspire Party shall for all purposes be the Administrative Agent under this Agreement and Wingspire shall be deemed to be a sub-agent of such Person duly appointed pursuant to Section 9.5 of this Agreement.

(f) The Credit Agreement is hereby amended by inserting a new Exhibit B-1 and a new Exhibit B-2 in the forms attached hereto as Exhibit B-1 and Exhibit B-2, respectively.

4. **Conditions Precedent to Effectiveness**. This Amendment shall be effective as of the First Amendment Effective Date upon the satisfaction (or waiver in writing) of each of the following conditions precedent:

(a) The Administrative Agent shall have received fully executed counterparts of this Amendment and such other documents, certificates, instruments and information executed and/or delivered by the Loan Parties as the Administrative Agent may reasonably request.

(b) The Administrative Agent shall have received all costs and expenses (including the reasonable fees and expenses of legal counsel) to the extent the Loan Parties are obligated to reimburse the Administrative Agent for such expenses in accordance with the Credit Agreement and the other Loan Documents.

(c) All corporate and organizational proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be reasonably satisfactory to Lender and its legal counsel.

(d) Each of the representations and warranties set forth in Section 6 of this Amendment shall be true and correct in all material respects.

5. **No Amendment or Waiver**. Except as expressly set forth herein, the execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders under the Credit Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Credit Agreement or any of the other Loan Documents. Except as expressly set for in this Amendment, the text of the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect, and each Loan Party hereby ratifies and confirms its obligations and covenants thereunder and acknowledges that such obligations and covenants shall not be reduced or limited by the execution and delivery of this Amendment. This Amendment shall not constitute a modification of the Credit Agreement or the other Loan Documents or a course of dealing with the Administrative Agent or the Lenders of variance with the Credit Agreement or the other Loan Documents such as to require notice by the Administrative Agent or any Lender to require strict compliance with the terms of the Credit Agreement and other Loan Documents in the future. Each Loan Party acknowledges and agrees that the Administrative Agent and the Lenders reserve the right to, and do in fact, require strict compliance with all terms and provisions of the Credit Agreement and the other Loan Documents, as modified by this Amendment.

6. **Representations, Warranties, and Covenants of the Loan Parties**. Each Loan Party hereto hereby represents and warrants in favor of the Administrative Agent and the Lenders as follows:

(a) Such Loan Party has all requisite power and authority to execute this Amendment and to perform all of its obligations hereunder, and this Amendment has been duly executed and delivered by such Loan Party and constitutes the legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) The execution, delivery and performance by such Loan Party of this Amendment (i) have been duly authorized by all necessary action on the party of such Loan Party; (ii) do not require any consent or approval of, registration or filing with, notice to or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (iii) will not violate any law applicable to any Loan Party, (iv) will not violate or result in a default under any contractual obligation to which such Loan Party is a party or affecting such Loan Party or the properties of such Loan Party or any of its Subsidiaries, or give rise to a right thereunder to require any payment to be made by any Loan Party or any Subsidiary, except where such violation or default, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, and (v) will not result in the creation or imposition of any Lien on any asset of any Loan Party or any Subsidiary, except Liens created pursuant to the Loan Documents.

(c) Each of the representations and warranties of the Loan Parties set forth in the Loan Documents are true and correct in all material respects, in each case on and as of such date as if made on and as of such date, provided that to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided further that any representation and warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates.

(d) Prior to and immediately after giving effect hereto, no Default or Event of Default has occurred and is continuing.

7. **Acknowledgments Regarding Obligations**. Each Loan Party hereby acknowledges, stipulates and agrees that all of the Obligations are due and owing by the Borrower to the Lenders without any defense, deduction, offset, claim or counterclaim. No Loan Party is aware of any events or facts, any actions taken by any Person, or any other circumstances that have occurred prior to the effectiveness of this Amendment that constitute the basis for or may give rise to any defense, deduction, offset, claim or counterclaim of such Loan Party or any other Loan Party with respect to the Obligations.

8. **Waiver of Claims**. To induce the Administrative Agent and the Lenders to enter into this Amendment, each Loan Party hereby releases, remises, acquits and forever discharges the Administrative Agent and each Lender and each of its respective employees, agents, representatives, consultants, attorneys, officers, directors, partners, fiduciaries, predecessors, successors and assigns, subsidiary corporations, parent corporations and related corporate divisions (each, a "Released Party" and collectively, the "Released Parties"), from any and all actions, causes of action, judgments, executions, suits, debts, claims, demands, liabilities, damages and expenses of any and every character, known or unknown, direct or indirect, at law or in equity, of whatever nature or kind, whether heretofore or hereafter arising, for or because of any manner of things done, omitted or suffered to be done by any of the Released Parties prior to and including the date of execution hereof, and in any way directly or indirectly arising out of any or in any way connected to this Amendment, the Credit Agreement or the other Loan Documents, except to the extent attributable to the gross negligence or willful misconduct of such Released Party (as finally

determined by a court of competent jurisdiction) (collectively, the "Released Matters"). Each Loan Party hereby acknowledges that the agreements in this Section are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters.

9. **Costs and Expenses**. Each Loan Party hereby reaffirms its agreement under the Credit Agreement to pay or reimburse the Administrative Agent for all reasonable and documented costs and expenses incurred by the Administrative Agent in connection with the Loan Documents, including without limitation all reasonable or documented fees and disbursements of legal counsel, to the extent required by Section 10.3 of the Credit Agreement.

10. **Counterparts**. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

11. CHOICE OF LAW AND VENUE; JURISDICTION; JURY TRIAL WAIVER. EACH OF THE PARTIES HERETO ACKNOWLEDGES AND AGREES THAT ALL OF THE PROVISIONS SET FORTH IN SECTIONS 10.9 (GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS) AND 10.10 (WAIVER OF JURY TRIAL) OF THE CREDIT AGREEMENT SHALL APPLY TO THIS AMENDMENT AS IF FULLY INCORPORATED HEREIN.

12. **Final Agreement**. This Amendment reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

13. **Loan Document**. This Amendment shall be deemed a Loan Document for all purposes.

14. **Ratification and Reaffirmation of Guarantors**. Each Guarantor which is a party hereto hereby consents to the terms of this Amendment and the execution and delivery of this Amendment by the Borrower and each other Loan Party. Each Guarantor which is a party hereto hereby reaffirms its obligations as set forth in Article 11 of the Credit Agreement.

[continued on following page]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized officers or representatives to execute and deliver this Amendment as of the date first written above.

BORROWERS:

ARHAUS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

GUARANTORS:

ARHAUS GIFT CARDS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

ARHAUS MANAGEMENT, INC.

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

HOMEWORKS LOGISTICS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

NORTHERN WOODS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

TB ARHAUS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

WINGSPIRE CAPITAL LLC, as the Administrative Agent and a Lender

By: /s/ John Rosin
Name: John Rosin
Title: President and Chief Operating Officer

Exhibit 10.11

EXECUTION VERSION

SECOND AMENDMENT TO CREDIT AGREEMENT

This SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is entered into as of December 28, 2020, among ARHAUS, LLC, a Delaware limited liability company (the "Company"), the Subsidiaries of the Company party hereto as "Borrowers" (the Company, together with such subsidiaries each, a "Borrower" and individually and collectively, jointly and severally, the "Borrowers"), the Subsidiaries of the Company party hereto as Guarantors (each, a "Guarantor" and collectively, the "Guarantors"), the Lenders party hereto, and WINGSPIRE CAPITAL LLC, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the "Administrative Agent").

RECITALS

WHEREAS, the Borrowers, the Guarantors, the Lenders party thereto, and the Administrative Agent, are parties to that certain Credit Agreement dated as of June 25, 2020 (as amended, restated, supplemented, or otherwise modified prior to the date hereof, the "Credit Agreement"); and

WHEREAS, the Borrowers have requested that the Administrative Agent and the Lenders agree to amend certain of the terms and conditions of the Credit Agreement, as more particularly set forth herein; and

WHEREAS, the Administrative Agent and the Lenders party hereto have agreed to such amendments, subject to and on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the agreements herein contained and other good and valuable consideration, the parties agree as follows:

1. **Defined Terms**. Capitalized terms used in this Amendment which are defined in the Credit Agreement shall have the same meanings as defined therein, unless otherwise defined herein.

2. **Amendments**. Subject to the satisfaction (or waiver in writing) of all conditions precedent set forth in this Amendment, the Credit Agreement is hereby amended as follows:

(a) Exhibit B to the Credit Agreement is amended and restated in its entirety and replaced by Exhibit B attached to this Amendment.

(b) Section 1.1 of the Credit Agreement is amended by inserting the following new defined terms, in appropriate alphabetical order:

"Credit Card Formula Amount" means, an amount equal to 90% times the product of (a) the face amount of the average daily Eligible Credit Card Receivables generated on each day for the immediately preceding 30-day period (calculated as of the end of each day during such period) multiplied by (b) the Credit Card Multiplier with respect to such Eligible Credit Card Receivables.

"Credit Card Multiplier" means, with respect to Credit Card Receivables owed by any Credit Card Issuer, an amount determined by the Administrative Agent from time to time to reflect the average number of settlement days with respect to such Credit Card Issuer. As of the Second Amendment Effective Date, the Credit Card Multiplier with respect to (a) Visa and Mastercard equals 1.5, (b) American Express equals 3, (c) Discover equals 2.5, and (d) the Arhaus Private Label Card equals 2.

"Liquidity" means, at any time of determination, the sum of (a) Availability plus (b) unrestricted cash of the Loan Parties maintained in one or more Controlled Accounts of the Loan Parties, which Controlled Accounts are subject to Administrative Agent's first-priority perfected security interest.

"Second Amendment Repurchase" means the repurchase by the Company of 1,250,000 Class A Preferred Units of the Company from Homeworks Holding, Inc. and 1,250,000 Class B Preferred Units of the Company from FS Arhaus Holding, Inc. so long as (a) no Default or Event of Default has occurred and is continuing or would result from such repurchase, (b) the aggregate amount paid by the Company for such repurchase shall not exceed $42,106,000, (c) Liquidity on the date of such repurchase and for each of the 30 days immediately preceding such payment shall be greater than or equal to $45,000,000, (d) the Second Lien Satisfaction Date shall have occurred before the making of such repurchase, and (e) such repurchase is made no later than December 31, 2020.

"Second Amendment Effective Date" means December 28, 2020.

"Second Lien Deferred Exit Fee" means the exit fee payable pursuant to Section 2.7(d) of the Second Lien Credit Agreement after payment in full of the principal amount of the Loans under the Second Lien Credit Agreement.

(c) The definition of "Availability Reserves" contained in Section 1.1 of the Credit Agreement is amended to delete clause (b) and insert the following in lieu thereof:

(b) potential dilution and other reserves with respect to Credit Card Receivables;

(d) The definition of "Borrowing Base" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

"Borrowing Base" means, as at any date of determination thereof, an amount equal to the sum of:

(a) the Credit Card Formula Amount; plus

(b) the lesser of (i) 65% of the value of Eligible Inventory (without duplication, net of applicable Inventory Reserves and excluding Eligible In-Transit Inventory) at such date and (ii) 90% of the NOLV of the value of Eligible Inventory (other than Eligible In-Transit Inventory) at such date; plus

(c) the least of (i) 65% of the value of Eligible In-Transit Inventory (without duplication, net of applicable Inventory Reserves) at such date, (ii) 65% of the NOLV of the value Eligible In-Transit Inventory at such date, and (iii) $3,500,000; plus

(d) the lesser of (i) $7,500,000 and (ii) the amount of unrestricted cash of the Borrowers held in a Controlled Account to the extent the aggregate balance of Borrowers' cash held in one or more Controlled Accounts is in excess of $25,000,000; minus

(e) all Availability Reserves.

For purposes hereof (including the calculation of the Credit Card Formula Amount), in determining the amount to be so included, (1) the face amount of a Credit Card Receivable shall be reduced by, without duplication, to the extent not reflected in such face amount, the amount of all accrued and actual discounts, claims, credits or credits pending, promotional program allowances, price adjustments, finance charges or other allowances (including any amount that a Borrower may be obligated to rebate to a customer, a Credit Card Issuer or Credit Card Processor pursuant to the terms of any agreement or understanding (written or oral)) and (2) the value of Eligible Inventory or Eligible In-Transit Inventory shall be determined on a lower of cost or market basis with cost determined on a weighted-average cost method and market determined based on the estimated net realizable value, in each case, in accordance with GAAP.

(e) The definition of "Cash Dominion Trigger Event" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

"Cash Dominion Trigger Event" means any of (a) the occurrence of an Event of Default, (b) Liquidity being less than $15,000,000 at any time, or (c) Consolidated EBITDA being less than $15,000,000 as of the end of any fiscal month.

(f) The definition of "Cash Dominion Trigger Period" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

"Cash Dominion Trigger Period" means the period commencing on the first date that that Administrative Agent notifies the Borrowers that a Cash Dominion Trigger Event has occurred and continuing until the date that (a) no Event of Default shall be continuing, (b) Liquidity is greater than or equal to $15,000,000 for a period of at least 30 consecutive calendar days, and (c) Consolidated EBITDA is greater than or equal to $15,000,000 as of the end of the most recently ended fiscal month for which financial statements have been delivered pursuant to Section 6.1.

(g) The definition of "Change of Control" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

"Change of Control" means an event or series of events by which:

(a) Permitted Holders (together with their Affiliates, and in the case of any individual shareholders, such Person's spouse, domestic partner, lineal descendant, sibling, parent or heirs) and (y) any trust, the beneficiaries of which include such individual shareholder and do not include any other Person other than Persons listed in this clause (a)) shall fail to own, directly or indirectly, more than 50% of the aggregate ordinary voting power or economic interests represented by the issued and outstanding Equity Interests of the Company on a fully diluted basis;

(b) a majority of the seats (other than vacant seats) on the board of directors (or equivalent governing body) of the Company shall at any time be occupied by Persons who were neither (i) nominated, approved or appointed by the board of directors (or equivalent governing body) of the Company nor (ii) nominated, approved or appointed by individuals so nominated, approved, or appointed;

(c) the Company shall fail to own, directly or indirectly, free and clear of all Liens or other encumbrances (other than Liens created pursuant to any Loan Document), 100% of the aggregate ordinary voting power and economic interests represented by the issued and outstanding Equity Interests of each of its Subsidiaries (or such lesser percentage as may be owned, directly or indirectly, as of the Closing Date or the later acquisition thereof) except where such failure is as a result of a transaction permitted by the Loan Documents;

(d) any change in control (or similar event, however denominated) with respect to any Loan Party or any of its Subsidiaries shall occur under and as defined in the Second Lien Credit Agreement or any indenture or agreement in respect of Indebtedness in an outstanding principal amount in excess of the Threshold Amount to which any Loan Party or any of its Subsidiaries is a party; or

(e) the occurrence of any Qualified IPO (as defined in the Second Lien Credit Agreement); provided, that nothing contained in this Agreement shall be deemed to constitute a consent to any Change of Control.

(h) Clause (a)(viii) of the definition of "Consolidated EBITDA" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

(viii) non-cash losses and non-cash charges that are expressly approved by the Administrative Agent in writing in its sole discretion from time to time (including the Second Lien Deferred Exit Fee but excluding, in any event, any non-cash charges that constitute an accrual of or a reserve for future cash charges or are reasonably likely to result in a cash outlay in a future period); and

(i) The definition of "Consolidated Fixed Charges" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

"Consolidated Fixed Charges" means, for the Company and its Subsidiaries for any period, the sum, without duplication, of each of the following determined

on a consolidated basis in accordance with GAAP: (a) Consolidated Interest Expense paid in cash during such period (excluding the "imputed interest" portion of Capitalized Lease Obligations and, solely to the extent permitted to be paid hereunder and solely to the extent included in Consolidated Interest Expense, the Second Lien Deferred Exit Fee), plus (b) the aggregate of all scheduled principal payments during such period in respect of Indebtedness (excluding (i) the repayment of the Existing Credit Agreement made on the Closing Date and (ii) mandatory prepayments of Excess Cash Flow (under and as defined in the Second Lien Credit Agreement as in effect on the Closing Date), but including the principal portion of Capitalized Lease Obligations), plus (c) Restricted Payments (excluding the Second Amendment Repurchase) made by the Company and its Subsidiaries to Persons other than the Company and its direct and indirect Subsidiaries, plus, (d) income or franchise taxes of the Company and its Subsidiaries paid or payable in cash during such period.

(j) The definition of "Increased Reporting Trigger Event" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

"Increased Reporting Trigger Event" means any of (a) the occurrence of an Event of Default, (b) Liquidity being less than $15,000,000 at any time, or (c) Consolidated EBITDA being less than $15,000,000 as of the end of any fiscal month.

(k) The definition of "Increased Reporting Trigger Period" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

"Increased Reporting Period" means the period commencing on occurrence of an Increased Reporting Trigger Event and continuing until the date that (a) no Event of Default shall be continuing, (b) Liquidity is greater than or equal to $15,000,000 for a period of at least 30 consecutive calendar days, and (c) Consolidated EBITDA is greater than or equal to $15,000,000 as of the end of the most recently ended fiscal month for which financial statements have been delivered pursuant to Section 6.1.

(l) The definition of "Measurement Period" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

"Measurement Period" means, at any date of determination, the most recently completed 12 consecutive fiscal months of the Company ending on or prior to such date for which financial statements have been or are required to be delivered pursuant to Sections 6.1(a), 6.1(b), or 6.1(c).

(m) The definition of "Second Lien Satisfaction Date" contained in Section 1.1 of the Credit Agreement is amended and restated in its entirety as follows:

"Second Lien Satisfaction Date" means the date on which all obligations under the Second Lien Credit Agreement have been indefeasibly paid in full (other than the payment of the Second Lien Deferred Exit Fee), the Second Lien Credit Documents have been terminated and are of no further force and effect, and all Liens held by the Second Lien Agent have been released.

(n) Clause (xi) of Section 7.1 of the Credit Agreement is amended and restated in its entirety as follows:

(xi) (A) until the occurrence of the Second Lien Satisfaction Date, Indebtedness owing to the Second Lien Lenders pursuant to the Second Lien Credit Agreement, so long as such Indebtedness is subject to the terms of the Intercreditor Agreement and (B) after the occurrence of the Second Lien Satisfaction Date, unsecured Indebtedness which constitutes the Second Lien Deferred Exit Fee;

(o) Section 7.8 of the Credit Agreement is amended to (i) delete the "and" at the end of clause (c), (ii) delete the "." at the end of clause (d) and insert "; and" in lieu thereof, and (iii) insert new clause (e) as follows:

(e) the Second Amendment Repurchase.

(p) Section 7.13 of the Credit Agreement is amended and restated in its entirety as follows:

Section 7.13 Payments on Indebtedness. The Loan Parties will not, and will not permit any of their Subsidiaries to, declare or make, or agree to pay for or make, directly or indirectly, any payment of principal or interest or any purchase, redemption, retirement, acquisition or defeasance with respect to any Indebtedness of such Person under the Second Lien Credit Documents or any other Indebtedness which is subordinated to the payment of the Obligations except that the Company, or any Subsidiary may make payments with respect to the Second Lien Credit Documents to the extent permitted by Section 4.3 of the Intercreditor Agreement; provided, notwithstanding the foregoing, (x) the Loan Parties may make a voluntary prepayment with respect to the Second Lien Credit Documents on the Second Amendment Effective Date in connection with the occurrence of the Second Lien Satisfaction Date and (y) the Loan Parties may pay the Second Lien Deferred Exit Fee, in each case, so long as both before and after giving effect to such payment (calculated on a pro forma basis as if such payment had been made on the first day of the most recently ended Measurement Period for which financial statements are required to have been delivered pursuant to Section 6.1): (a) no Default or Event of Default shall exist, (b) Liquidity on the date of such payment and for each of the 30 days immediately preceding such payment shall be greater than or equal to $45,000,000, and (c) such payment is made only with cash on hand and not with the proceeds of Revolving Loans. Nothing contained in this Agreement (including, without limitation, this Section 7.13) shall be deemed to constitute a consent to any Change of Control.

3. **Conditions Precedent to Effectiveness**. This Amendment shall be effective as of the Second Amendment Effective Date upon the satisfaction (or waiver in writing) of each of the following conditions precedent:

(a) The Administrative Agent shall have received fully executed counterparts of this Amendment and such other documents, certificates, instruments and information executed and/or delivered by the Loan Parties as the Administrative Agent may reasonably request.

(b) The Administrative Agent shall have received (i) a fee in the amount of $300,000, for the account of each Lender on a pro rata basis in accordance with their respective Revolving Commitments, which fee shall be due and payable in full in cash on the Second Amendment Effective Date and (ii) all costs and expenses (including the reasonable fees and expenses of legal counsel) to the extent the Loan Parties are obligated to reimburse the Administrative Agent for such expenses in accordance with the Credit Agreement and the other Loan Documents. The Administrative Agent is hereby authorized to charge all such fees and expenses to the Borrowers and Borrowers shall be deemed to have made a request for a Revolving Loan in the amount of such fees and expenses on the Second Amendment Effective Date.

(c) The Administrative Agent shall have received a Borrowing Base Certificate, dated as of the Second Amendment Effective Date and signed by a Financial Officer of the Borrower Agent, prepared as of such date as the Administrative Agent may elect.

(d) The Administrative Agent shall have received evidence satisfactory to it that (i) the Second Lien Satisfaction Date shall occur substantially contemporaneously with the effectiveness of this Amendment including, without limitation, a letter, in form and substance satisfactory to Administrative Agent, from the Second Lien Agent which shall include, among other things, the amount necessary to repay in full all of the obligations of the Company and its Subsidiaries owing with respect to the Second Lien Credit Documents and a release of all of the Liens existing in favor of any such lender in the assets of the Company and its Subsidiaries, together with termination statements and other documentation evidencing the termination by such lenders of such Liens and (ii) the Intercreditor Agreement shall be terminated substantially contemporaneously with the effectiveness of this Amendment.

(e) All corporate and organizational proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be reasonably satisfactory to Lender and its legal counsel.

(f) Each of the representations and warranties set forth in Section 6 of this Amendment shall be true and correct in all material respects.

4. **No Amendment or Waiver**. Except as expressly set forth herein, the execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders under the Credit Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Credit Agreement or any of the other Loan Documents. Except as expressly set for in this Amendment, the text of the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect,

and each Loan Party hereby ratifies and confirms its obligations and covenants thereunder and acknowledges that such obligations and covenants shall not be reduced or limited by the execution and delivery of this Amendment. This Amendment shall not constitute a modification of the Credit Agreement or the other Loan Documents or a course of dealing with the Administrative Agent or the Lenders of variance with the Credit Agreement or the other Loan Documents such as to require notice by the Administrative Agent or any Lender to require strict compliance with the terms of the Credit Agreement and other Loan Documents in the future. Each Loan Party acknowledges and agrees that the Administrative Agent and the Lenders reserve the right to, and do in fact, require strict compliance with all terms and provisions of the Credit Agreement and the other Loan Documents, as modified by this Amendment.

5. **Representations, Warranties, and Covenants of the Loan Parties**. Each Loan Party hereto hereby represents and warrants in favor of the Administrative Agent and the Lenders as follows:

(a) Such Loan Party has all requisite power and authority to execute this Amendment and to perform all of its obligations hereunder, and this Amendment has been duly executed and delivered by such Loan Party and constitutes the legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) The execution, delivery and performance by such Loan Party of this Amendment (i) have been duly authorized by all necessary action on the party of such Loan Party; (ii) do not require any consent or approval of, registration or filing with, notice to or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (iii) will not violate any law applicable to any Loan Party, (iv) will not violate or result in a default under any contractual obligation to which such Loan Party is a party or affecting such Loan Party or the properties of such Loan Party or any of its Subsidiaries, or give rise to a right thereunder to require any payment to be made by any Loan Party or any Subsidiary, except where such violation or default, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, and (v) will not result in the creation or imposition of any Lien on any asset of any Loan Party or any Subsidiary, except Liens created pursuant to the Loan Documents.

(c) Each of the representations and warranties of the Loan Parties set forth in the Loan Documents are true and correct in all material respects, in each case on and as of such date as if made on and as of such date, provided that to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided further that any representation and warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates.

(d) Prior to and immediately after giving effect hereto, no Default or Event of Default has occurred and is continuing.

6. **Acknowledgments Regarding Obligations**. Each Loan Party hereby acknowledges, stipulates and agrees that all of the Obligations are due and owing by the Borrower to the Lenders without any defense, deduction, offset, claim or counterclaim. No Loan Party is aware of any events or facts, any actions taken by any Person, or any other circumstances that have occurred prior to the effectiveness of this Amendment that constitute the basis for or may give rise to any defense, deduction, offset, claim or counterclaim of such Loan Party or any other Loan Party with respect to the Obligations.

7. **Waiver of Claims**. To induce the Administrative Agent and the Lenders to enter into this Amendment, each Loan Party hereby releases, remises, acquits and forever discharges the Administrative Agent and each Lender and each of its respective employees, agents, representatives, consultants, attorneys, officers, directors, partners, fiduciaries, predecessors, successors and assigns, subsidiary corporations, parent corporations and related corporate divisions (each, a "Released Party" and collectively, the "Released Parties"), from any and all actions, causes of action, judgments, executions, suits, debts, claims, demands, liabilities, damages and expenses of any and every character, known or unknown, direct or indirect, at law or in equity, of whatever nature or kind, whether heretofore or hereafter arising, for or because of any manner of things done, omitted or suffered to be done by any of the Released Parties prior to and including the date of execution hereof, and in any way directly or indirectly arising out of any or in any way connected to this Amendment, the Credit Agreement or the other Loan Documents, except to the extent attributable to the gross negligence or willful misconduct of such Released Party (as finally determined by a court of competent jurisdiction) (collectively, the "Released Matters"). Each Loan Party hereby acknowledges that the agreements in this Section are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters.

8. **Costs and Expenses**. Each Loan Party hereby reaffirms its agreement under the Credit Agreement to pay or reimburse the Administrative Agent for all reasonable and documented costs and expenses incurred by the Administrative Agent in connection with the Loan Documents, including without limitation all reasonable or documented fees and disbursements of legal counsel, to the extent required by Section 10.3 of the Credit Agreement.

9. **Counterparts**. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

10. CHOICE OF LAW AND VENUE; JURISDICTION; JURY TRIAL WAIVER. EACH OF THE PARTIES HERETO ACKNOWLEDGES AND AGREES THAT ALL OF THE PROVISIONS SET FORTH IN SECTIONS 10.9

(GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS) AND 10.10 (WAIVER OF JURY TRIAL) OF THE CREDIT AGREEMENT SHALL APPLY TO THIS AMENDMENT AS IF FULLY INCORPORATED HEREIN.

11. **Final Agreement**. This Amendment reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

12. **Loan Document**. This Amendment shall be deemed a Loan Document for all purposes.

13. **Ratification and Reaffirmation of Guarantors**. Each Guarantor which is a party hereto hereby consents to the terms of this Amendment and the execution and delivery of this Amendment by the Borrower and each other Loan Party. Each Guarantor which is a party hereto hereby reaffirms its obligations as set forth in Article 11 of the Credit Agreement.

[Continued on following page.]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized officers or representatives to execute and deliver this Amendment as of the date first written above.

BORROWERS:

ARHAUS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

GUARANTORS:

ARHAUS GIFT CARDS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

ARHAUS MANAGEMENT, INC.

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

HOMEWORKS LOGISTICS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

NORTHERN WOODS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

TB ARHAUS, LLC

By: /s/ Dawn Phillipson
Name: Dawn Phillipson
Title: Chief Financial Officer

WINGSPIRE CAPITAL LLC, as the
Administrative Agent and a Lender

By: /s/ Brian Long
Name: Brian Long
Title: Managing Director

Exhibit B

Borrowing Base Certificate

[Omitted.]

LEASE

BY AND BETWEEN

PREMIER CONOVER, LLC, as Landlord

and

ARHAUS, LLC, as Tenant

Date: March 12, 2021

TABLE OF CONTENTS

LEASE

THIS LEASE, made this 12th day of March, 2021 by and between PREMIER CONOVER, LLC, an Ohio limited liability company ("**Landlord**"), and ARHAUS, LLC, a Delaware limited liability company ("Tenant").

ARTICLE 1 - LEASE OF PREMISES

Section 1.01. Lease of Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, for the Lease Term (defined below), (a) approximately fifty-five (55) acres of land described on **Exhibit A** (the "Land"), and (b) the approximately Four Hundred Ninety-Seven Thousand (497,000) square foot building to be constructed on the Land (the "**Building**"). The Land and Building are shown on the Site Plan set forth on **Exhibit A-1** and are referred to collectively as the "**Leased Premises**." Tenant shall have the right to re-measure the Building within sixty (60) days after the completion of the Tenant Improvement Work in accordance with applicable building standard measurement principles. If Tenant's measurements of the Building should disclose a different square footage of the Building than the square footage set forth in this Section 1.01 ("**Final Revised Square Footage**"), then Tenant shall notify Landlord in writing of the Final Revised Square Footage, which shall be subject to Landlord's review and acceptance. Subject to Landlord's agreement with the Tenant's measurement of the Building, Landlord acknowledges and agrees that such notice by Tenant shall be deemed sufficient to amend the square footage of the Building set forth in this Section 1.01, such amendment being deemed self-operative without the necessity of further formal mutual acknowledgment or documentation between Landlord and Tenant.

Section 1.02. Basic Lease Provisions. The following constitute the "**Basic Lease Provisions**" of this Lease:

A. **Building Expense Percentage**: 100%;

B. **Minimum Annual Base Rent**:

Period	Monthly	Annual
Lease Year 1	$ 247,916.67	$ 2,975,000
Lease Year 2	$ 255,354.I7	$3,064,250.04
Lease Year 3	$ 263,0I4.80	$3,156,177.54
Lease Year 4	$ 270,905.24	$3,250,862.87
Lease Year 5	$ 279,032.40	$3,348,388.75
Lease Year 6	$ 287,403.37	$3,448,840.42
Lease Year 7	$ 296,025.47	$3,552,305.63
Lease Year 8	$ 304,906.23	$3,658,874.80
Lease Year 9	$ 314,053.42	$3,768,641.04
Lease Year 10	$ 323,475.02	$3,881,700.27
Lease Year 11	$ 333,179.27	$3,998,151.28
Lease Year 12	$ 343,174.65	$4,118,095.82
Lease Year 13-22	per Section 19.01	
Lease Years 23-27	per Section 19.01	
Lease Years 28-32	per Section 19.01	

C. [Intentionally Omitted]

D. **Additional Rent**: All amounts to be paid by Tenant pursuant to the terms of this Lease, other than Minimum Annual Base Rent, including, but not limited to, the Annual Rental Adjustments (defined below) and Shell Building and Tenant Improvements/Soft Costs Excess Expenses (defined below);

E. **Lease Term**: Twelve (12) Lease Years (defined below), unless extended in accordance with the terms of this Lease;

F. **Extensions**: One (1) ten (10) year option to extend the Lease Term, followed by two (2) five (5) year options to extend the Lease Term.

G. **Completion Date**: The date that Landlord substantially completes the Tenant Improvement Work in accordance with Section 2.02(I) of this Lease and delivers the Leased Premises to Tenant (acknowledging there are different Completion Dates for different portions of the Leased Premises provided for herein). Tenant shall have the right to enter the Leased Premises and Building for the purpose of performing any work and installing any fixtures and equipment prior to the substantial completion of the Work and before the Completion Date, as long as Tenant does not unreasonably and materially interfere with Landlord's Work.

H. **Rent Commencement Date**: The Completion Date (of the Leased Premises).

I. **Security Deposit**: None.

J. **Broker**: Premier Commercial Realty, LLC.

K. **Permitted Use**: Office, warehouse, distribution and any other lawful use.

L. **Address for Payments and Notices**:

Landlord:
Premier Conover, LLC
c/o Premier Development Partners, LLC
5301 Grant Avenue
Cleveland, Ohio 44125
Attention: Spencer N. Pisczak

With a copy to:
Kevin M. Hinkel, Esq.
Frantz Ward LLP
200 Public Square, Suite 3000
Cleveland, Ohio 44114

Tenant:
Arhaus, LLC
51 E Hines Hill Rd,
Hudson, OH 44236
Attention: Dawn Phillipson, CFO

With a copy to: Arhaus, LLC
51 E Hines Hill Rd,
Hudson, OH 44236
Attention: Allan Churchmack, SVP/General Counsel

M. **Lease Year**: Each consecutive twelve (12) month period occurring during the Lease Term commencing upon the Rent Commencement Date; provided, however, that if the Rent Commencement Date is not first day of a month, the first Lease Year will include the period from the Rent Commencement Date to the first day of the following month.

N. **Exhibits**: The following Exhibits are attached to this Lease:

Exhibit A	-	Legal Description of Land
Exhibit A-1	-	Site Plan Showing the Land and Building
Exhibit B	-	Project Schedule
Exhibit C	-	Project Description
Exhibit C-1	-	Project Costs
Exhibit D	-	Exterior Elevations
Exhibit E	-	Form of SNDA
Exhibit F	-	Form of Estoppel Certificate
Exhibit G	-	Form of Memorandum of Lease

O. **Tenant's Representative**: Dawn Phillipson, CFO and Dawn Sparks, Chief Supply Chain Officer

P. **Landlord's Representative**: Spencer Pisczak, Kevin Callahan and Brian Lenehan

Q. **Parking Areas**: As more specifically described in the Project Description (i) all improved and unimproved areas on the Land, including, without limitation: parking areas and facilities, roadways, sidewalks, curbs, driveways, truckways, delivery areas, landscaped areas (including any irrigation facilities), lighting facilities, and other areas, amenities, facilities and improvements on the Land, and (ii) all site work on or benefiting the Leased Premises.

ARTICLE 2 - TERM AND POSSESSION

Section 2.01. Term. The term of this Lease (as it may by extended pursuant to Section 19.01, the "**Lease Term**") shall commence on the Completion Date and expire upon the last day of the twelfth (12th) Lease Year following the Rent Commencement Date, unless extended in accordance with the terms of this Lease (the "**Expiration Date**").

Section 2.02. Construction of Improvements and Possession.

A. **Project Schedule; Completion Dates.** Landlord and Tenant agree that a preliminary project schedule is attached hereto as **Exhibit B** (the "**Project Schedule**"). The Project Schedule shall only be modified or changed by a writing executed by Landlord and Tenant, or as otherwise required or permitted by the terms of this Lease. Subject to Landlord Excusable Delays, Landlord shall cause the Completion Date with respect to the warehouse space in which Tenant is installing racking to occur by no later than September 6, 2021, the remainder of the warehouse (including the product development area) to occur no later than September 27, 2021, and with respect to the Office space to occur no later than October 29, 2021 (respectively, the "**Anticipated Completion Date**"). Provided the Lease is fully executed by March 15, 2021 and subject to Landlord Excusable Delays, if the Completion Date for the entire Building shall not occur by December 31, 2022 (the "**Outside Completion Date**"), this Lease shall automatically be null and void, and neither party shall have any claim against the other in damages or otherwise, provided, however, should the failure of the Completion Date to occur on or before the Outside Completion Date be due to Tenant Delay, then the Outside Completion Date shall be extended for one day for each day of Tenant Delay.

As extended by any Landlord Excusable Delays, if the Completion Date as to the warehouse space or the Office space has not occurred on the applicable Anticipated Completion Date, then Tenant shall receive a credit of Minimum Annual Base Rent equal to Four Thousand and 00/100 Dollars ($4,000.00) for each day which elapses between the applicable Anticipated Completion Date and the Completion Date. The credit shall be applied to Tenant's payments of Minimum Annual Base Rent beginning on the Rent Commencement Date.

B. **Shell Building Work.** The scope of the work for the improvements constituting the shell Building and Parking Areas work (collectively, the "**Shell Building Work**") to be performed by Landlord is set forth in the project description in **Exhibit C** attached hereto and made a part hereof (the "**Project Description**"). Tenant has approved the Project Description. On or before the date set forth on the Project Schedule, Landlord shall cause to be prepared and submitted to Tenant plans and specifications based upon the Project Description, the exterior of which shall incorporate the Exterior Elevations set forth on **Exhibit D** (collectively, the "**Shell Building Plans and Specifications**"). Tenant shall review and approve or comment on the Shell Building Plans and Specifications within the time periods required by Section 2.02(M) of this Lease. The Shell Building Plans and Specification shall be revised by Landlord to incorporate Tenant's reasonable comments.

1. Bidding the Shell Building Work. Landlord agrees to competitively bid the Shell Building Work. Tenant's Representative and Landlord will review bids and Tenant shall have the right to offer comments to Landlord with respect to the selection of bidders and require Landlord to include certain bidders in the bidding process. Unless otherwise mutually agreed by Landlord and Tenant, Landlord shall be required to construct the Shell Building Work for the lowest comparable bid received by Landlord from subcontractors and suppliers, but in all events both Landlord and Tenant retain the right to approve final subcontractors and suppliers who are awarded the bids.

2. Costs of Shell Building Work. Landlord shall pay the costs and expenses comprising the Shell Building Cost (as hereinafter defined), including, but not limited to,

architectural, engineering and permit fees and general contractor fees (equal to three and four tenths percent (3.4%) (whether upon Shell Building Work or Tenant Improvement Work, the "General Contractor Fee") of the hard costs of non-Change Order Work) (collectively, the "**Soft Costs**"), without regard to either the Construction or Soft Costs Contingencies set forth on **Exhibit C-1** attached hereto and made a part hereof (collectively the "**Contingencies**"). Solely for disclosure purposes, Landlord shall pay Premier Development Partners, LLC ("**PDP**") a coordination fee of Four Hundred Thousand Dollars ($400,000.00) for its coordination of the completion of the Shell Building Work and Tenant Improvement Work.

3. Shell Building and Tenant Improvements/Soft Costs. (a) The Minimum Annual Base Rent is based upon the sum of (i) Shell Building Work described by category on **Exhibit C-1** and (ii) Tenant Improvement/Soft Costs (as hereinafter defined) costing no more than Twenty-Seven Million and One Hundred Thousand and 00/100 Dollars ($27,100,000.00) (the "**Shell Building and Tenant Improvement/Soft Costs Expenses**"). Costs and expenses incurred by Landlord in excess of the Shell Building and Tenant Improvement/Soft Costs Building Expenses as a result of or attributable to (a) Change Orders instituted or approved in writing by Tenant, or (b) Tenant Delays shall be the responsibility of Tenant in accordance with the terms of this Lease (the "**Shell Building and Tenant Improvement/Soft Costs Building Excess Expenses**").

(b) For purposes of this Lease, "Shell Building and Tenant Improvement/Soft Costs Expense Savings" shall mean any net reduction in the Shell Building and Tenant Improvement/Soft Costs Expenses arising from: (i) Change Orders or (ii) net savings from contractors or suppliers identified by Tenant who are engaged by Landlord to provide services or materials as part of the Shell Building Work and Tenant Improvements/Soft Costs.

(c) If there are Shell Building and Tenant Improvement/Soft Costs Excess Expenses, then such Shell Building and Tenant Improvements/Soft Costs Excess Expenses shall be paid by Tenant to Landlord (or its designee) in accordance with the terms of Section 2.02F.l. Any unused portion of the Shell Building and Tenant Improvement/Soft Costs Expenses shall be credited against Minimum Annual Base Rent in accordance with Section 2.02F.2.

C. **Tenant Improvements**.

1. Approval of Tenant Improvement Plans and Specifications. On or before the date set forth on the Project Schedule, Landlord shall cause to be prepared and submitted to Tenant plans and specifications (the "**Preliminary Tenant Improvement Plans and Specifications**") describing the work to be completed by Landlord in constructing the tenant improvements to the Leased Premises, which may also include, without limitation, any upgrades to the Shell Building Work, but subject, in all events, to the limits and thresholds set forth in Section 2.02B.3. hereof. Tenant shall review and approve or comment on the Preliminary Tenant Improvement Plans and Specifications within the time periods required by Section 2.02(M) of this Lease. Landlord shall revise the Preliminary Tenant Improvement Plans and Specifications pursuant to Tenant's

reasonable comments. Upon Tenant's approval of the Preliminary Tenant Improvement Plans and Specifications, Landlord shall cause the completion of 100% Construction Documents based upon the approved Preliminary Tenant Improvement Plans and Specifications (the "**Tenant Improvement Plans and Specifications**"). The work to be performed by Landlord described in such Tenant Improvement Plans and Specifications shall be referred to as the "**Tenant Improvement Work**." The Shell Building Work and the Tenant Improvement Work are sometimes collectively referred to herein as the "**Work**", and the Shell Building Plans and Specifications and the Tenant Improvement Plans and Specifications are sometimes collectively referred to herein as the "**Plans and Specifications**."

2. Tenant Improvement Allowance. Except for costs and expenses attributable to Change Orders or Tenant Delays, each as defined below, Landlord shall be responsible for the costs of the Tenant Improvement Work, including, but not limited to, the Soft Costs ("Tenant Improvement Work/Soft Costs").

3. Tenant Improvement Work. Landlord shall perform the Tenant Improvement Work based upon the approved Tenant Improvement Plans and Specifications.

4. Bidding the Tenant Improvement Work. Landlord agrees to competitively bid the Tenant Improvement Work. Tenant's Representative and Landlord will review bids and Tenant shall have the right to offer comments to Landlord with respect to the selection of bidders and require Landlord to include certain bidders in the bidding process. Unless otherwise mutually agreed by Landlord and Tenant, Landlord shall be required to construct the Tenant Improvement Work for the lowest comparable bid received by Landlord from subcontractors, and Tenant shall have the right to approve final subcontractors who are awarded the bids. Landlord shall cause a construction company to act as General Contractor for the construction of the Tenant Improvement Work and shall be entitled to payment by Tenant (or to direct such payment to a construction company) a General Contractor fee equal to three and four tenths percent (3.4%) of the hard costs of such Tenant Improvement Work.

D. **Certain Sewer Infrastructure.** The construction of certain sewer infrastructure shall be performed by the City of Conover and shall not be an obligation of Landlord under this Lease or otherwise and, as such, shall not be part of Substantial Completion by Landlord or affect Landlord's delivery of the Leased Premises or of the issuance of a temporary and final certificate of occupancy.

E. **Change Orders**. Tenant shall have the right to request in writing that Landlord make changes from time to time in the Plans and Specifications. Landlord shall prepare and deliver to Tenant a detailed change order ("**Change Order**") with plans and costs for such changes within five (5) days after request therefor and shall receive Tenant's approval of such change orders prior to implementation. With respect to any Change Order requested by Tenant that is in excess of $10,000.00 or will cause a delay in the construction schedule, Landlord shall promptly advise Tenant in writing (or cause the General Contractor to so do) of both the amount of the Change Order and any adverse effect on the construction schedule ("**Landlord Change Order Response**") such that

Tenant can evaluate whether to revoke such Change Order. If Tenant does not revoke the Change Order by a written or digital communication to Landlord (or to General Contractor) within three (3) business days of Tenant's receipt of the Landlord Change Order Response, Tenant shall be deemed to have ratified the Change Order. Landlord agrees to make commercially reasonable efforts to cooperate and consult with Tenant to achieve Tenant's objectives with respect to each Change Order and minimize any impact thereby on the Project Schedule and/or cost. Any additional cost in excess of any applicable allowance provided for under this Lease which is associated with said Change Orders shall be paid in a lump sum by Tenant on the Completion Date. Change Orders that result in a credit may, at the written election of Tenant, be either applied toward the cost of additional current or future work, or to reduce Minimum Annual Base Rent in accordance with the terms of this Lease. A General Contractor fee equal to five percent (5%) of the hard costs of construction shall be charged to all Change Order work. Landlord shall use commercially reasonable efforts to have General Contractor execute the Change Order on a commercially reasonable time period taking into account overall workflow, construction schedule and availability of materials and products for such Change Order.

F. **Adjustments to Minimum Annual Base Rent; Payment of Additional Costs**.

1. Shell Building and Tenant Improvement/Soft Costs Excess Expenses. Tenant shall pay for Shell Building and Tenant Improvement/Soft Costs Excess Expenses by payment of a lump sum within thirty (30) days after the Completion Date and an invoice detailing such Shell Building and Tenant Improvement/Soft Costs Excess Expenses. With respect to any Shell Building and Tenant Improvement/Soft Costs Building Excess Expenses in excess of $10,000.00, Landlord shall promptly submit to Tenant in writing (or cause the General Contractor to so do) for Tenant's approval the amount and the reason for any proposed Shell Building and Tenant Improvement/Soft Costs Building Excess Expenses. If Tenant does not approve the Shell Building and Tenant Improvement/Soft Costs Building Excess Expenses by a written or digital communication to Landlord (or to General Contractor) within three (3) business days of Tenant's receipt of the Excess Costs Request, Tenant shall be deemed to have denied such request.

2. Decreases in Minimum Annual Base Rent. If there are Shell Building and Tenant Improvement/Soft Costs Expense Savings, Tenant is entitled to a decrease in Minimum Annual Base Rent under the terms of this Lease, then Minimum Annual Base Rent shall be decreased for the Lease Term by an amount equal to nine and twenty-five one hundredths percent (9.25%) of the amount of the decrease in costs to which Tenant is entitled.

G. **Permits; Approvals; Compliance with Laws**. Landlord shall apply for and obtain all permits, licenses and certificates (including zoning approvals) necessary for the construction of the Work and for the occupancy thereof by Tenant. Landlord shall be obligated to obtain a temporary and final certificate of occupancy. Landlord shall use all commercially reasonable efforts to cause Landlord's architects to prepare the applicable

Plans and Specifications in accordance with all Laws and for obligating its contractors, subcontractors and suppliers of every tier to perform their work in accordance with all local, state and federal laws, rules, orders, regulations and codes including without limitation, the American with Disabilities Act (hereinafter referred to collectively as "**Laws**").

H. **Project Meetings; Progress Reports**. Tenant and Tenant's Representative shall (i) have the right to inspect the progress of the Work upon reasonable prior notice, and (ii) be invited to attend all project meetings, including all design review meetings and construction meetings. Landlord shall meet with Tenant weekly to provide progress reports and to permit Tenant's review. Landlord shall report to Tenant as to all material aspects of the progress of Landlord's performance of the Work including, but not limited to: (a) the progress of the Work performed and the materials and equipment installed and utilized in performing the Work; and (b) Landlord's compliance with the Project Schedule.

I. **Substantial Completion; Commencement Date**. The Work shall be deemed substantially complete upon satisfaction of the following:

1. (a) the Shell Building Work has been completed in substantial accordance with the Shell Building Plans and Specifications to the extent required for Tenant to obtain safe and legal access to the Leased Premises and (b) the Tenant Improvement Work has been completed in substantial accordance with the Tenant Improvement Plans and Specifications, respectively, subject, in the case of (a) or (b), only to minor punch list items (i.e., such unfinished items as shall not impair Tenant's ability to use the Leased Premises in the manner intended by the Lease) to be mutually agreed to and identified by Tenant and Landlord during a joint inspection of the Leased Premises upon substantial completion ("**Punch List Items**") and to items the completion of which is prevented or should be postponed due to weather conditions (e.g., landscaping, final paving, etc.) and which do not prevent the issuance of a temporary certificate of occupancy ("**Weather Related Items**");

(ii) Landlord has obtained a temporary certificate of occupancy for the Leased Premises;

(iii) the project architect shall certify in writing to Tenant and Landlord pursuant to and in accordance with form AIA-G704, or other form reasonably acceptable to Tenant and Landlord as to those same matters in subsections l.(i)(a) and (b), above; and

(iv) all Building systems shall be fully operational and all utilities shall be available with meters set and activated.

(v) Landlord shall remove all rubbish from, in and near the Leased Premises, together with all of its tools, equipment, and surplus materials and shall leave the Leased Premises clean and ready for use by Tenant. Should Landlord fail to complete the required clean-up, then Tenant may clean-up or cause the Leased Premises to be cleaned-up and Tenant shall submit an invoice to Landlord for such cost and Landlord shall pay such invoice promptly.

All Punch List Items and Weather Related Items shall be completed by Landlord as soon as practicable but in no event shall Punch List Items be completed later than thirty (30) days after the Completion Date, unless otherwise agreed to by both Tenant and Landlord in writing.

J. **Tenant's Early Entry for Fixturing, Cabling and IT Work**. Tenant shall have the right to enter the Leased Premises sixty (60) days prior to the Completion Date (the "**Fixturing Date**") as set forth in the Project Schedule for purposes of installing Tenant's fixtures, equipment, furnishings, racking and storage systems in the Building (the "**Fixture Work**") and for purposes of performing its cabling work on and installing its information technology and other telecommunications equipment in the Building (the "**Cabling and IT Work**"; the Fixture Work and Cabling and IT Work is hereinafter referred to collectively as "**Tenant's Work**"). Notwithstanding the foregoing, Landlord shall request that General Contactor agree to allow said sixty (60) day period to be extended to ninety (90) days on areas of the Work which are completed or which will not cause delay or inconvenience to General Contractor's performance of its Work. Tenant shall endeavor to coordinate Tenant's Work and entry on the Leased Premises with Landlord or Landlord's General Contractor so that Tenant's early entry does not unreasonably interfere with or delay Landlord's performance of the Work. If as a result of any of Tenant's Work, modifications or changes are required to be made to the Building, then Tenant shall be responsible for all costs and expenses relating to such modifications or changes.

K. **Warranties**. Landlord hereby agrees, for a period of one (1) year after the Rent Commencement Date (two (2) years for latent defects), to correct defects in materials and workmanship, or the failure of the Work to be completed substantially in accordance with the applicable Plans and Specifications or Laws. Notwithstanding the foregoing, extended warranties set forth in the applicable specifications or manufacturers' warranties shall be for such longer period of time (if any) as is expressly provided in the applicable specifications or in the manufacturer's warranty. Upon and following the Rent Commencement Date, Landlord shall enforce for the benefit of Tenant all warranties and guarantees relating to the Leased Premises and any and all systems contained therein. Any repairs required under the foregoing warranties will be mutually agreed to between Landlord and Tenant. Landlord makes no warranty with respect to, and none of the foregoing warranties shall apply to, any Work, or any component thereof, not performed by Landlord.

Tenant reserves the right to cause other (i) contractors to perform portions of the Work related to the showroom identified in the Project Description or other portions of the Work (upon which Landlord and Tenant must mutually agree in their reasonable discretion, and (ii) suppliers to supply steel and roof deck materials) (all the foregoing in this paragraph as so exercised by Tenant, "Tenant Selected Non-Showroom Work and Contractors"), in which event Landlord shall not be entitled to a General Contractor Fee relating to such Work or materials. Tenant shall cause Tenant Selected Non-Showroom

Work and Contractors to not delay the progress of any work or progress on the project and any delay shall extend the Completion Date and the Outside Completion Date as determined by Landlord in is reasonable discretion.

L. **Cooperation of the Parties**. The parties agree to use commercially reasonable efforts to cooperate in good faith with each other so that the various tasks and obligations of the parties reflected in the Project Schedule or provided for in this Article 2 may be performed and completed within the time periods provided in the Project Schedule or this Article 2, including, but not limited to, responding within reasonable time periods to requests of the other party taking into account the dates set forth in the Project Schedule to which such requests relate.

M. **Excusable Delays**. For purposes of this Lease, (i) "**Tenant Delay**" shall mean the period of any delay incurred by Landlord in the performance of its obligations under this Article 2 or under the Project Schedule by the dates or within the time periods set forth herein or therein that is caused by Tenant, its agents, employees, consultants, separate contractors, or others performing any of Tenant's obligations hereunder, including, without limitation, delays directly resulting from (a) Tenant's failure to meet any time deadlines specified herein or in the Project Schedule (other than by reason of a Landlord Delay), (b) Change Orders requested by Tenant, (c) the performance of any other work in or with respect to the Leased Premises by any person, firm or corporation employed by or on behalf of Tenant (including, but not limited to, Tenant's early entry for fixturing purposes allowed herein, or the performance of Tenant's Work), or any failure to complete or delay in completion of such work, and (d) any other act (other than acts required to be performed by Tenant under this Lease) or omission of Tenant; provided, however, that for there to be a Tenant Delay Landlord shall have notified Tenant in writing within ten (10) days after the commencement of any one of the conditions set forth above; (ii) "**Landlord Delay**" shall mean the period of any delay incurred by Tenant in the performance of its obligations under this Article 2 or under the Project Schedule by the dates or within the time periods set forth herein or therein that is caused by Landlord, its agents, employees, subcontractors, consultants or others performing any of Landlord's obligations hereunder, including, without limitation, delays directly resulting from (a) Landlord's failure to meet any time deadlines specified herein or in the Project Schedule (other than by reason of a Tenant Delay) and (b) any other act (other than acts required to be performed by Landlord under this Lease) or omission of Landlord; provided, however, that for there to be a Landlord Delay Tenant shall have notified Landlord in writing within ten (10) days after the commencement of any one of the conditions set forth above; (iii) "**Landlord Excusable Delay**" shall mean a Tenant Delay or Force Majeure Event; (iv) "**Tenant Excusable Delay"** shall mean a Landlord Delay or Force Majeure Event. Except as otherwise expressly provided in this Lease and subject to the further provisions of this paragraph, the time for performance of any obligation of, or the making of any representation by, Landlord in this Article 2 or the Project Schedule shall be extended by any period of time attributable to a Landlord Excusable Delay, and the time for performance of any obligation of Tenant in this Article 2 or the Project Schedule shall be extended by any period of time attributable to a Tenant Excusable Delay. Except as may be specifically provided in the Project Schedule or elsewhere in this Article 2, at any time either party requires the other party's

approval in connection with the Project Schedule or any plans, drawings or specifications, the other party shall respond to such party within five (5) business days (or three (3) business days if the need for such response is urgent and such party indicates it needs a response in three (3) business days) of receipt of such request and if the other party does not, the other party's approval shall be deemed given. If either party responds to the requesting party with any material change to the scope or nature of the work, such change shall be considered a Tenant Delay or Landlord Delay, as the case may be, even though the response was made within the time periods required hereunder.

N. **Tenant's Representative**. Either one of Tenant's Representatives shall have full authority to render decisions, make requests and grant approvals on behalf of Tenant with respect to the Work. Landlord shall be entitled to rely on decisions, requests and directions (whether oral or written) made or given by Tenant's representative under this Article 2 as if the same were made by Tenant. Tenant shall have the right to appoint or replace a successor representative at any time upon written notice to Landlord.

O. **Performance of the Work**. Landlord shall complete the Work in a lien-free and good and workmanlike manner, and in compliance with all Laws; and supply all work, labor, materials and equipment necessary to complete the Work in accordance with the Plans and Specifications.

P. **Landlord's Representative.** Any of Landlord's Representatives shall have full authority to render decisions, make requests and grant approvals on behalf of Landlord with respect to the Work. Tenant shall be entitled to rely on decisions, requests and directions (whether oral or written) made or given by a Landlord's Representative under this Article 2 as if the same were made by Landlord. Landlord shall have the right to appoint or replace a successor representative at any time upon written notice to Tenant.

Q. **Tenant's Right to Audit**. Landlord shall deliver to Tenant an itemization in reasonable detail of the hard costs of construction and Soft Costs of the Work (collectively, the "**Construction Costs**") incurred by Landlord in connection with the Work at least monthly during the progress of the Work, including copies of invoices requested by Tenant. Landlord shall maintain such records for a period of two (2) years after the Completion Date. Tenant, its accountants or agents, shall have the right to inspect, at reasonable times and in a reasonable manner, such of Landlord's books of account and records as pertain to and contain information concerning the Construction Costs in order to verify the amounts thereof. If Tenant's audit discloses an overcharge by Landlord, Landlord shall reimburse Tenant the amount of such overpayment within 30 days of such determination and if such overcharge is in excess of five percent (5%) of Construction Costs for the year in question, then Landlord shall pay Tenant's accounting fees reasonably incurred in auditing the Construction Costs, even if Tenant's auditor is paid on a contingency basis.

Section 2.03. Tenant's Acceptance of the Leased Premises. Upon delivery of possession of the Leased Premises to Tenant as hereinbefore provided, Tenant and Landlord shall execute a letter, in form and substance acceptable to Landlord and Tenant, acknowledging: (i) the Completion Date (including the Rent Commencement Date when it occurs) and the Expiration

Date of this Lease; (ii) that Tenant has accepted the Leased Premises in its as-is, where-is condition (including the Shell Building Work), subject to matters covered by Landlord's express warranties set forth in this Lease, Punch List Items and Weather Related Items; (iii) the Minimum Annual Base Rent; and (iv) as of the date of such letter, neither Landlord nor Tenant has any claim against the other, except as expressly provided therein.

Section 2.04. Surrender of the Premises. Upon the expiration or earlier termination of this Lease, or upon the exercise by Landlord of its right to re-enter the Leased Premises without terminating this Lease, Tenant shall immediately surrender the Leased Premises to Landlord, together with all alterations, improvements and other property as provided elsewhere herein, in broom-clean condition and in good order, condition and repair, except for ordinary wear and tear and damage which Tenant is not obligated under the terms of this Lease to repair, and upon Tenant's failure to leave the Leased Premises in the condition required herein and the continuation of such failure for thirty (30) days after receipt of written notice, Landlord may restore the Leased Premises to such condition at Tenant's expense. Upon the expiration or earlier termination of this Lease, Tenant shall remove Tenant's furniture, equipment, trade fixtures and other personal property. Tenant shall repair any damage caused by such removal. Any property not removed by Tenant shall be deemed abandoned by Tenant. Tenant's obligations under this Section 2.04 shall survive the expiration or earlier termination of this Lease.

Section 2.05. Holding Over. If Tenant holds over after the expiration or earlier termination of this Lease, Tenant shall become a tenant from month to month, at rent equal to (i) one hundred twenty five percent (125%) of the then current Base Rent for the first six (6) months of such holdover, (ii) one hundred fifty percent (150%) of the then current rental rate for the next six (6) months of such holdover, and (iii), unless the Tenant is in good faith negotiating the terms of a renewal or extension of the Term, one hundred seventy-five percent (175%) of the then current rental rate thereafter, and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of rent after such expiration or earlier termination shall not result in a renewal of this Lease.

ARTICLE 3 - RENT

Section 3.01. Base Rent.

A. Tenant's obligation to pay Minimum Annual Base Rent shall commence on the Rent Commencement Date identified in the Basic Lease Terms above. Tenant shall pay to Landlord the Minimum Annual Base Rent for the Leased Premises in equal consecutive Monthly Base Rental Installments, in advance, without demand, deduction, counterclaim or offset (except as specifically set forth in this Lease) and without relief from valuation and appraisement laws, on or before the first day of each and every calendar month during the Lease Term commencing on the Rent Commencement Date; provided, however, that if the Rent Commencement Date shall be a day other than the first day of a calendar month or the Expiration Date shall be a day other than the last day of a calendar month, the Monthly Base Rental Installment for such first or last fractional month shall be prorated on the basis of the number of days during the month this Lease was in effect in relation to the total number of days in such month.

Section 3.02. Additional Rent; Operating Expenses.

A. **Definitions**. For purposes of this Section 3.02, the following definitions shall apply:

1. "**Annual Rental Adjustment**" — shall mean the amount of Operating Expenses for a particular calendar year.

2. "**Operating Expenses**" — shall mean the amount of all of Landlord's costs and expenses paid or incurred in operating, maintaining, repairing, replacing and managing the Leased Premises for a particular calendar year as reasonably determined by Landlord in accordance with generally accepted accounting principles, consistently applied, including all costs and expenses of operation, maintenance and repair in a first class condition, including by way of illustration and not limitation: all general and special real estate taxes and general and special assessments which are or will become due and payable for the Lease Term, but calculated as if the Leased Premises was fully improved as of the Commencement Date and taxed on a current (rather than arrears basis), specifically as the parties acknowledge that real estate taxes in North Carolina are due in arrears (as the payment for a calendar year typically becomes payable in October or November of that calendar year), Landlord may estimate and bill Tenant for Landlord's estimate of the real estate taxes which will be due and payable as if the Leased Premises was fully assessed as completed as of the Commencement Date such that the Tenant shall pay real estate taxes on an estimated basis monthly as if real estate taxes were paid on fully improved Leased Premises for the length of the term of the Lease and paid during the actual term of the Lease and that a portion of the real estate taxes Tenant pays will be for a period of time prior to the Rent Commencement Date albeit that the payments by the Landlord to the governmental unit will be made in arrears) and, except as set forth below, all special assessments or service payments made in lieu thereof levied against the Leased Premises and payable during the Term (hereinafter called "**real estate taxes"**); costs and expenses of contesting the validity or amount of real estate taxes which has been approved by Tenant in writing; insurance premiums for insurance specified under Section 9.03 (which may include premiums for rental interruption insurance); service and other charges incurred in the operation and maintenance of the heating, ventilation and air-conditioning system; cleaning and other janitorial services; tools and supplies that are only used for the Building; landscape and Parking Area maintenance, repair and replacement costs; security services (if required by Tenant); license, permit and inspection fees; management fees in an amount equal to two percent (2%) of the Minimum Annual Base Rent (excluding this management fee) (the "**Fixed Management Fee**"); the annual amortization (amortized over the useful life) of costs, including financing costs, if any, of any equipment, device, or capital improvement purchased or incurred as a labor-saving measure or to effect other economies in the operation or maintenance of the Leased Premises (collectively, "**Permitted Capital Items"**) (provided the annual amortized cost does not exceed the actual annual cost savings realized); and wages and related benefits payable for the maintenance and operation of the Leased Premises (but not wages or related employee benefits payable to any employees above the level of on-site property manager). The Fixed Management Fee shall be included in Operating Expenses commencing upon the Rent Commencement Date. Landlord shall

not mark-up any Operating Expenses and shall give Tenant the opportunity to require Landlord to bid out repair or maintenance contracts with bidders selected by Tenant (subject to Landlord's reasonable approval of such bidders) and the lowest bidder shall be engaged to perform such repairs or maintenance.

Notwithstanding the foregoing or any other provision of this Lease, there shall be excluded from Operating Expenses (i) the original capital costs of any improvements to the Leased Premises, (ii) the capital costs of any replacements or alterations of the Building or the Leased Premises, except as expressly provided above in respect of the annual amortization costs of Permitted Capital Items or required as the result of the negligence or willful misconduct of Tenant, its agents, employees or contractors, (iii) expenses incurred due to the negligence or willful misconduct of Landlord or its respective agents or employees, (iv) costs incurred for repairs or replacements due to faulty construction or workmanship or due to the utilization of improper equipment or materials, (v) costs and interest thereon related to violations of Law by Landlord or the Leased Premises, unless incurred as the result of the negligence or willful misconduct of Tenant, its agents, employees or contractors, (vi) costs relating to controlling, removing, disposing or remediating any Hazardous Substances (as defined herein), or complying with any environmental laws or regulations, including, without limitation, costs related to conducting any environmental inspections, the removal of any underground storage tanks and the remediation of wetlands, unless the release of such Hazardous Substance or violation of law is caused by Tenant or its agents, employees or contractors, (vii) costs incurred by Landlord in complying with its obligations under the first paragraph of Section 7.01(A), subject to the initial exception, (viii) principal and interest payments related to any financing of the Land or any improvements on the Land, (ix) reserves, (x) administrative charges and management fees (except for the Fixed Management Fee), and (xi) financing costs.

B. **Payment Obligation**. In addition to the Minimum Annual Base Rent specified in this Lease, Tenant shall, commencing upon the Rent Commencement Date, pay to Landlord as additional rent for the Leased Premises, in each calendar year or partial calendar year during the Lease Term, an amount equal to the Operating Expenses for such calendar year.

1. Payment of Operating Expenses — The Annual Rental Adjustment shall be reasonably estimated annually by Landlord, and written notice thereof shall be given to Tenant at least thirty (30) days prior to the beginning of each calendar year. In the case of the calendar year in which the Lease Term commences, written notice of the estimated Operating Expenses shall be given Tenant prior to the Completion Date. Tenant shall pay to Landlord each month, at the same time the Monthly Base Rental Installment is due, an amount equal to one-twelfth (1/12) of the estimated Annual Rental Adjustment.

2. Increase in Estimated Annual Rental Adjustment — If real estate taxes increase during a calendar year, Landlord may reasonably increase the estimated Annual Rental Adjustment during such year by giving Tenant written notice to that effect, and thereafter Tenant shall pay to Landlord, in each of the remaining months of such year, an amount equal to the amount of such increase in the estimated Annual Rental Adjustment divided by number of months remaining in such year.

3. Adjustment to Actual Annual Rental Adjustment — Within one hundred twenty (120) days after the end of each calendar year, Landlord shall prepare and deliver to Tenant a statement showing Tenant's actual Annual Rental Adjustment. If the actual Annual Rental Adjustment for the preceding calendar year is less than the estimated amount paid by Tenant during such year, Landlord shall refund the excess to Tenant simultaneously with Landlord's delivery of the annual statement. Within thirty (30) days after receipt of the aforementioned statement, Tenant shall pay to Landlord the amount, if any, by which Tenant's actual Annual Rental Adjustment for the preceding calendar year exceeded the estimated amount paid by Tenant during such year. If this Lease shall commence, expire or be terminated on any date other than the last day of a calendar year, then Tenant's share of Operating Expenses for such partial calendar year shall be prorated on the basis of the number of days during the year this Lease was in effect in relation to the total number of days in such year. Notwithstanding anything in this Lease to the contrary, Tenant shall not be responsible for paying any Operating Expenses or other charges not billed to Tenant within two (2) years after such charges were incurred by Landlord.

4. Maximum Increase in Operating Expenses — Tenant will be responsible for real estate taxes, service payments in lieu of real estate taxes, insurance premiums, and snow removal costs ("**Uncontrollable Expenses**"), without regard to the level of increase in any or all of the above in any year or other period of time. Commencing on January 1, 2022, Tenant's obligation to pay all other Operating Expenses which are not Uncontrollable Expenses (herein "**Controllable Expenses**") shall be limited to a five percent (5%) per annum increase over the amount of the Controllable Expenses paid or reimbursed by Tenant for the immediately preceding calendar year. To the extent, however, that the amount of the Controllable Expenses for calendar year 2021 do not reflect a full and accurate accounting for the costs and expenses paid by Landlord in connection with its operating obligations under the terms of this Lease, in Landlord's reasonable opinion, then 2021 Controllable Expenses for purposes of the above five percent (5%) limitation shall be adjusted to an amount reasonably acceptable to Landlord and Tenant reflecting the proper amount of Controllable Expenses.

5. Tenant Verification — Landlord shall keep complete books and records in reasonable detail and copies of invoices regarding Operating Expenses for a period of two (2) years after the end of the year to which such books, records and invoices apply. In addition, Landlord shall furnish to Tenant tax bills evidencing payment and, on request, copies of applicable invoices. Tenant, its accountants or agents, shall have the right to inspect, at reasonable times and in a reasonable manner, such of Landlord's books of account and records as pertain to and contain information concerning the Operating Expenses in order to verify the amounts thereof. If Tenant's audit discloses an overpayment by Tenant of Operating Expenses, Landlord shall reimburse Tenant the amount of such overpayment within 30 days of such determination and if such overpayment is in excess of five percent (5%) of Operating Expenses for the year in question, then Landlord shall pay Tenant's accounting fees reasonably incurred in

auditing the Operating Expenses, even if Tenant's auditor is paid on a contingency basis. If Tenant does not object to charges set forth in the Annual Rental Adjustment within one (1) year after receipt of the statement relating thereto, then Tenant shall be deemed to have approved all charges set forth therein and waived any rights to reimbursement relating thereto.

In the event Landlord and Tenant cannot agree on the amount of an overpayment as set forth in the immediately preceding paragraph, either party may require that the dispute be resolved as follows in the event the amount in dispute is less than $15,000.00: Landlord and Tenant shall mutually select one (1) certified property manager certified by the Institute of Real Estate Management not related, employed, or otherwise engaged by either of the parties. If the parties are unable to agree on a certified property manager, the parties shall request the Presiding Judge of the Catawba County Superior Court, North Carolina Common Pleas to select the certified property manager and if such judge is unwilling to do so, each party shall select a licensed North Carolina commercial real estate agent who shall together select a North Carolina certified commercial property manager. The certified property manager shall determine if there was an overpayment and the amount of such overpayment based on the facts presented by Landlord and Tenant. The cost of such arbitration shall be paid by the non-prevailing party. The certified property manager's decision shall be conclusive and binding on Landlord and Tenant.

6. Real Estate Taxes - Tenant's Right to Contest Real Estate Taxes. Landlord shall pay all real estate taxes (including, without limitation, special assessments) prior to delinquency and shall deliver to Tenant copies of tax bills when received by Landlord. Notwithstanding anything in this Lease to the contrary "real estate taxes" shall not include (i) any income, franchise, corporate, personal property, value added, capital levy, capital stock, rent, single business, gross receipts, excess profits, transfer, revenue, estate, inheritance, gift, devolution or succession tax payable by Landlord, or (ii) any fine, penalty, cost or interest for any Taxes that Landlord failed to timely pay. Landlord shall pay any real estate taxes or assessments payable in installments over the longest period permitted by law.

Tenant shall have the right (but not the obligation) for itself (or the right to cause Landlord) to contest, object to, or defend the legal validity or amount of real estate taxes for which Tenant is responsible under this Lease and may institute such proceeding as Tenant considers necessary with respect thereto, provided that Tenant gives Landlord written notice of such contest, objection or defense on or prior to the deadline date to file such action with respect to the year that Tenant elects to contest such taxes. Landlord shall join in any proceeding or contest brought by Tenant at the request of Tenant and use all reasonable efforts to cooperate with Tenant in said proceeding or contest, so long as Landlord is not required to bear any out of pocket cost of such proceeding or contest or any cost incurred in connection therewith. Landlord shall promptly pay to Tenant any tax rebate, adjustment, or refund collected by Landlord in respect of the Leased Premises relating to period when Tenant has paid real estate taxes pursuant to this Lease. During the pendency of the proceeding or after the final determination thereof, Tenant will reimburse Landlord for any reasonable out-of-pocket costs incurred by Landlord in

connection with any such proceeding and for interest and/or penalties imposed or assessed in connection with such proceeding or contest within thirty (30) days after Landlord's billing to Tenant therefor, accompanied by reasonable proof of the expenditure.

Section 3.03. Late Charges. (a) If any installment of Rent or any other amount due from Tenant is not received by Landlord within five (5) days of the date due, such unpaid amount shall bear interest from the due date thereof to the date of payment at the rate of the greater of: (i) ten percent 10%) and (ii) the Prime Rate (defined below), plus four percent (4%) per annum until paid. For purposes of this Lease, the term "**Prime Rate**" shall mean the Prime Rate, as announced from time to time, in the current edition of *The Wall Street Journal*. Notwithstanding the foregoing, for the first occasion in any period of twelve (12) consecutive months, such interest shall apply only if Tenant fails to make the required payment within seven (7) days after Tenant's receipt of written notice of such delinquency.

If any installment of any amount due from Landlord is not received by Tenant within five (5) days of the date due, such unpaid amount shall bear interest from the due date thereof to the date of payment at the rate of the greater of: (i) ten percent (10%) and (ii) the Prime Rate, plus four percent (4%) per annum until paid. Notwithstanding the foregoing, for the first occasion in any period of twelve (12) consecutive months, such interest shall apply only if Landlord fails to make the required payment within seven (7) days after Landlord's receipt of written notice of such delinquency.

ARTICLE 4 - SECURITY DEPOSIT

[INTENTIONALLY OMITTED]

ARTICLE 5 - OCCUPANCY AND USE

Section 5.01. Occupancy. Tenant shall use and occupy the Leased Premises for the purposes set forth in the Basic Lease Provisions and shall not use the Leased Premises for any other purpose except with the prior written consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned.

Section 5.02. Covenants of Tenant Regarding Use. In connection with its use of the Leased Premises, Tenant agrees to do the following:

A. Tenant shall (i) use and maintain the Leased Premises and conduct its business thereon in a safe, careful, reputable and lawful manner, and (ii) comply with all laws, rules, regulations, orders, ordinances, directions and requirements of any governmental authority or agency, now in force or which may hereafter be in force, including without limitation those which shall impose upon Landlord or Tenant any duty with respect to or triggered by a change in the use or occupation of, or any improvement or alteration to, the Leased Premises, and (iii) comply with the terms and provisions of any covenants, conditions or restrictions imposed upon the Land or Building by any declaration or association relating to the Land; provided, however, the provisions of clause (ii) above shall not require Tenant to make any improvement or alteration to any component of the Leased Premises required to be maintained by Landlord at Landlord's sole cost and expense and the provisions of clause (iii) shall not increase Tenant's obligations or decrease Tenant's rights under this Lease.

B. Tenant shall not (i) use the Leased Premises for any unlawful purpose or act, (ii) knowingly commit or permit any damage to the Leased Premises, or (iii) do or permit anything to be done in or about the Leased Premises which constitutes a nuisance.

C. Tenant shall not overload the office space floors of the Leased Premises beyond their designed weight-bearing capacity, including an allowance for partition load provided that Landlord has notified Tenant of such weight-bearing capacity. Tenant shall not use the Leased Premises, or allow the Leased Premises to be used, for any purpose or in any manner which would cause Landlord to be unable to obtain fire and casualty insurance on the Building. Tenant shall reimburse Landlord as additional rent for any increase in insurance premiums charged during the Lease Term on the insurance carried by Landlord on the Building and attributable to the use being made of the Leased Premises by Tenant; provided that Landlord shall first notify Tenant of any proposed increase and Tenant shall not have commenced to alleviate the condition causing the increase in thirty (30) days after receipt of such notice.

D. Except as hereinafter set forth, Tenant shall not inscribe, paint, affix or display any signs, advertisements or notices on the exterior of the Building, except such tenant identification information which is in compliance with all Laws and set forth in the Plans and Specifications. Tenant shall be permitted to erect or install the maximum sized signage on the Building as code permits. If a sign variance is required under local code to accommodate Tenant's sign requirements, Landlord shall cooperate with Tenant in Tenant's efforts to obtain such variance. Tenant shall be permitted (at no cost to Tenant for the rights) to name the Building and, at Tenant's sole cost and expense, (i) put signs on the exterior of the Building and install monument signage at the entrance to the Building; provided Landlord approves such signs (which shall not be unreasonably withheld, conditioned or delayed) and such signs comply with all governmental laws and regulations and (ii) at any time remove and/or reinstall Tenant's signage, provided that Tenant shall repair any damage to the Leased Premises or the Building caused thereby.

Section 5.03. Access to and Inspection of the Leased Premises. Upon two (2) business days advance written notice (except in the case of an emergency when no notice or accompaniment by a representative of Tenant shall be required or routine maintenance to the Building exterior or the parking lot that does not unreasonably interfere or disrupt Tenant's operations in the Leased Premises (in which event only prior oral notice shall be required)) and subject to the reasonable security procedures of Tenant, Landlord, its employees and agents and any mortgagee of the Building shall have the right to enter any part of the Leased Premises at reasonable times for the purposes of examining or inspecting the same while accompanied by a representative of Tenant, showing the same to prospective purchasers, or mortgagees or prospective tenants (during the last twelve (12) months of the Lease Term only) and making such repairs, alterations or improvements to the Leased Premises or the Building as Landlord may deem necessary or desirable. If representatives of Tenant shall not be present to open and permit such entry into the Leased Premises when such entry is necessary due to an emergency, Landlord and its employees and agents may enter the Leased Premises by force. Landlord shall coordinate all maintenance

inspections and maintenance work with Tenant and, if requested by Tenant, Landlord shall use commercially reasonable efforts to schedule maintenance inspections and maintenance work outside of normal business hours, but with respect to any entry onto the Leased Premises shall use commercially reasonable efforts to minimize interference with Tenant's business operations.

ARTICLE 6 - UTILITIES AND OTHER BUILDING SERVICES

Section 6.01. Services to be Provided. Except for Landlord's maintenance and repair obligations set forth in Article 7 of this Lease, Landlord shall have no obligation to provide any other service or utility to the Building or the Leased Premises.

Section 6.02. Utilities. All electrical, gas, water, sewer and other utilities serving the Building or the Leased Premises, including, but not limited to, landscaped and Parking Areas, shall be separately metered to the Leased Premises and shall be the sole responsibility of the Tenant; except that Landlord shall be solely responsible for hookup charges, tap in or tie in fees, and impact fees.

ARTICLE 7 - REPAIRS, MAINTENANCE, ALTERATIONS, IMPROVEMENTS AND FIXTURES

Section 7.01. Repair and Maintenance of Building.

A. **Structural Repairs, Roof and Roof Replacement**. Except to the extent made necessary by the negligence, misuse or default of Tenant, its employees, agents, customers and invitees (but subject to the provisions of Section 8.04), Landlord shall, at its sole cost and expense, subject to the immediately following paragraph and Operating Expenses, maintain, repair and replace the exterior and interior structural walls and components of the Building, and shall, if necessary, replace the roof as necessary to keep the same in a safe, clean and neat, and first class condition, in compliance with all Laws. In addition Landlord shall make all repairs and replacements otherwise required to be made by Tenant to the extent they are made necessary by the negligence, misuse or default of Landlord, its employees, agents, and contractors (but subject to the provisions of Section 8.04). In addition, Landlord shall make repairs as required pursuant to Section 2.02(K) hereof.

Tenant is responsible, as an Operating Expense, for the payment of maintenance, repair, preventative maintenance and inspections conducted by Landlord pursuant to this Section 7.01, provided that, in the case of such expenses exceeding (i) $35,000 in any Lease Year during the first five (5) Lease Years of the Lease Term; (ii) $75,000 in any Lease Year during the next succeeding five (5) Lease Years of the Lease Term and (iii) $125,000 during any Lease Year of the Lease Term thereafter, any such expenses shall be treated as a Permitted Capital Item, to be reimbursed by Tenant as provided in Section 3.02.A.2.

B. **Parking Area Maintenance and Repair; Roof Maintenance and Repair**. Except as set forth above, Landlord shall, as an Operating Expense, maintain, repair and replace, the Parking Areas, including landscaping and pavement, as necessary to keep the same in a safe, clean and neat, and first class condition in compliance with all Laws, including,

but not limited to, keeping the parking areas and sidewalks reasonably free of snow and ice and keeping the parking area adequately drained, and striped. Tenant shall promptly notify Landlord of any needed repair or maintenance of which it becomes aware. Subject to Section 3.02, payment for such repairs and maintenance shall be included in Operating Expenses (or if made necessary by the negligence, misuse or default of Tenant, its employees, agents, customers and invitees shall be reimbursed by Tenant within thirty (30) days of invoice from Landlord).

C. **Emergency Repairs by Tenant**. Tenant may, in an emergency, immediately, but after an attempt to notify Landlord orally, make any repairs required of Landlord. Landlord shall reimburse Tenant for the cost of the maintenance, repairs, or replacements within thirty (30) days after receipt by Landlord of a statement therefor, including substantiation that the same were reasonable in cost and in scope; and if not reimbursed by Landlord, Tenant shall have the right to deduct the cost thereof from Base Rent. For purposes hereof, "emergency" means (a) any event which poses immediate threat of injury or damage to persons or property or (b) any event which, in Tenant's judgment, impairs or interferes with Tenant's ordinary business operations. In addition if Landlord fails to make any repair or replacement within thirty (30) days after receipt of notice, Tenant shall have the right to make such repair or replacement and Landlord shall reimburse Tenant for the cost of the repairs, or replacements within thirty (30) days after receipt by Landlord of a statement therefor, including substantiation that the same were reasonable in cost and in scope; and if not reimbursed by Landlord, Tenant shall have the right to deduct the cost from Base Rent.

D. **Dissatisfaction With Services**. If at any time, Tenant notifies Landlord that Tenant is not satisfied with the cost or quality of any service provided by the vendor performing any of Landlord's service, maintenance or repair obligations hereunder, Landlord and Tenant shall cooperate in good faith to compile a mutually acceptable bid list of new vendors to provide such service.

Section 7.02. Repair and Maintenance of Building. Except as expressly set forth in Section 7.01 as the obligation of the Landlord, Tenant shall maintain, repair and replace, at its sole cost and expense, the Building, including, but not limited to, all mechanical, electrical, fire, sprinkler, alarm, plumbing and other systems serving the Leased Premises (including all interior utility lines exclusively serving the Building and not the responsibility of the utility company) as necessary to keep and maintain same in good order, first class condition and repair, and in compliance with all Laws. Tenant shall maintain, at its sole cost and expense, during the Lease Term, a preventative maintenance and repair contract with a licensed heating, ventilation and air conditioning company, providing a minimum of two (2) inspections of all heating and air conditioning systems per Lease Year.

Section 7.03. Alterations or Improvements. Tenant may make, or may permit to be made, alterations or improvements to the Leased Premises, but only major exterior and structural alterations if Tenant obtains the prior written consent of Landlord thereto, which shall not be unreasonably withheld, delayed or conditioned. Tenant may make interior changes relating to painting, wallpaper, carpeting and other cosmetic changes ("**Cosmetic Changes**") and non-structural interior alterations without Landlord's consent. Tenant shall secure all necessary

permits and shall make the alterations and improvements in accordance with all applicable laws, regulations and building codes, in a good and workmanlike manner and quality equal to or better than the original construction of the Building. Landlord's approval of the plans, specifications and working drawings for Tenant's alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All alterations, additions or improvements shall be installed at Tenant's sole expense in compliance with all Laws and by a licensed contractor. Any alterations, improvements or utility installations in, on or about the Leased Premises that Tenant shall desire to make which require Landlord's consent shall be presented to Landlord in written form with proposed detailed plans. Tenant shall promptly repair any damage to the Leased Premises or the Building caused by any such alterations or improvements. Any alterations or improvements to the Leased Premises paid for by Landlord, except Tenant's furniture, equipment, furnishings, fixtures and other personal property, shall become a part of the realty and the property of Landlord, and shall not be removed by Tenant. Subject to Section 2.04, Tenant has the option, but not the obligation, to remove alterations or improvements to the Leased Premises paid for by Tenant, provided Tenant shall repair any damage to the Leased Premises caused by such removal. For purposes of this Section 7.03, "**Major**" shall mean an alteration or improvement where the cost of such alteration or improvement exceeds one hundred thousand and 00/100 dollars ($1 00,000.00).

Section 7.04. Trade Fixtures. Any interior or exterior signs, any equipment, and any trade fixtures installed on the Leased Premises by Tenant at its own expense, such as movable partitions, counters, shelving, showcases, mirrors and the like, may be removed on the expiration or earlier termination of this Lease, provided that Tenant bears the cost of such removal, and necessary repairs at its own expense any and all damage to the Leased Premises resulting from such removal. If Tenant fails to remove any equipment or fixtures from the Leased Premises on the expiration or earlier termination of this Lease, all such equipment and trade fixtures shall become the property of Landlord provided, however, that Landlord may elect, by written notice to Tenant, to require that Tenant remove all or any portion of such signs or trade fixtures. Tenant shall, at its expense, promptly remove the same, and repair any damage resulting from Tenant's removal of its property.

Section 7.05. Landlord Lien Waiver. Upon request and subject to Landlord's review, Landlord shall execute a commercially reasonable lien waiver acknowledgment in favor of any lender who is providing financing or refinancing in connection with the furnishings, equipment, fixtures, inventory, and other personal property of any kind of Tenant placed in or upon the Leased Premises and any other documentation required to evidence Landlord's waiver herein or to subordinate Landlord's security interest in such personal property to that of such lender.

ARTICLE 8 - FIRE OR OTHER CASUALTY: CASUALTY INSURANCE

Section 8.01. Substantial Destruction of the Building. If the Building is substantially destroyed or damaged (which as used herein, means destruction or material damage to at least seventy-five percent (75%) of the Building) by fire or other casualty ("**Material Damage**"), then Tenant may, at its option, terminate this Lease by giving written notice of such termination to Landlord within sixty (60) days after the date of such casualty. In the event of such termination as a result of Material Damage, rent shall be apportioned to and shall cease as of the date of such

Material Damage. If Tenant does not exercise its option to terminate, then the Building and leasehold improvements and improvements and betterments shall be reconstructed and restored, at Landlord's expense, to substantially the same condition as it was prior to the casualty, provided that, if Tenant has made any additional Major improvements pursuant to Section 7.03 not known by Landlord, Tenant shall reimburse Landlord for the cost of reconstructing the same to the extent the insurance proceeds actually received by Landlord are insufficient to pay for such additional improvements. Landlord shall commence promptly and shall use reasonable diligence in completing such reconstruction and restoration. In the event of such reconstruction, rent and all other sums due hereunder shall be abated in the proportion to which the Leased Premises is untenantable from the date of the casualty until ninety (90) days after substantial completion of the reconstruction repairs or the date Tenant commences to use such damaged property, whichever first occurs; and this Lease shall continue in full force and effect for the balance of the term. All such repairs and/or restoration shall be done in material compliance with all Laws.

Section 8.02. Partial Destruction of the Building. If the Building is damaged by fire or other casualty and such damage does not constitute Material Damage, then such damaged part of the Building and the leasehold improvements and improvements and betterments shall be reconstructed and restored, at Landlord's expense, to substantially the same condition as it was prior to the casualty, provided that, if Tenant has made any additional Major improvements pursuant to Section 7.03 not known to Landlord, Tenant shall reimburse Landlord for the cost of reconstructing the same to the extent the insurance proceeds actually received by Landlord are insufficient to pay for such additional Major improvements. In such event rent and all other sums due hereunder shall be abated in the proportion to which the Leased Premises is untenantable from the date of the casualty until substantial completion of the reconstruction repairs or the date Tenant commences to use such damaged property, whichever first occurs; and this Lease shall continue in full force and effect for the balance of the term. Landlord shall commence promptly and use reasonable diligence in completing such reconstruction repairs. All such repairs and/or restoration shall be done in material compliance with all Laws.

Section 8.03. Destruction During Last Two Years of Lease Term. If either the Building or the Leased Premises are substantially destroyed or damaged (which as used herein, means destruction or damage to at least twenty-five percent (25%) of the Building) by fire or other casualty in the last two (2) years of the Lease Term, then Tenant may, at its option, terminate this Lease by giving written notice of such termination to Landlord within sixty (60) days after the date of such casualty. If Tenant does not elect to terminate the Lease in accordance with this Section8.03, and does not, within said sixty (60)-day period exercise an extension option, Landlord may, at its option, terminate this Lease by giving written notice of such termination to Tenant within sixty (60) days after the date of such casualty. In addition if Landlord shall not commence repairs within three (3) months after the date of any damage to the Building or complete such repairs within one (1) year after the date of such damage, Tenant shall have the right to terminate this Lease by giving written notice to Landlord.

Landlord agrees that if Landlord has sold or transferred its entire interest in the Leased Premises, or otherwise assigned its entire interest in this Lease to an unaffiliated third-party, then, if the cost to repair any such damage is more than Twenty-Five Thousand Dollars ($25,000.00) then such insurance proceeds (the "**Deposited Funds**") shall be deposited with a bank which is a

member of the local Clearinghouse Association (the "**Qualified Depositary**") and held in trust to be distributed like a construction loan is distributed as such repairs are made pursuant to such requirements that the Qualified Depositary shall reasonably impose. If this Lease is terminated, the Qualified Depositary shall have no further right or obligation, except to disburse the Deposited Funds as directed by Landlord and Tenant. The Qualified Depositary shall have the right to deduct from the Deposited Sums its reasonable charges for acting as depositary.

Section 8.04. Waiver of Subrogation. Landlord and Tenant hereby release each other and each other's employees, agents, customers, invitees and contractors from any and all liability for any loss, damage, or injury to property occurring in, on, about, or to the Leased Premises, or the Building, the Parking Areas or personal property within the Building by reason of fire or other casualty which could be insured against under a Causes of Loss Special Form insurance policy endorsement regardless of cause, including the negligence of Landlord or Tenant and their respective employees, agents, customers, invitees or contractors, whether or not such insurance is actually in force and effect, and agree that such insurance carried by either of them shall contain a clause whereby the insurer waives its right of subrogation against the other party. Because the provisions of this Section 8.04 are intended to preclude the assignment of any claim mentioned herein by way of subrogation or otherwise to an insurer or any other person, each party to this Lease shall give to each insurance company which has issued to it one or more policies of fire and all risk coverage insurance notice of the provisions of this Section 8.04 and have such insurance policies properly endorsed, if necessary, to prevent the invalidation of such insurance by reason of the provisions of this Section 8.04, including, without limitation, the amount of any deductible or self-insurance maintained by the releasing party.

ARTICLE 9 - INDEMNIFICATION AND INSURANCE

Section 9.01. Indemnification.

A. **By Tenant**. Tenant does hereby indemnify, defend, forever save and hold Landlord and Landlord's agents, contractors, licensees, employees, directors, officers, partners and trustees (each a "**Landlord Indemnified Party**" and collectively, "**Landlord Indemnified Parties**") harmless from and against any and all damages, claims, losses, demands, costs, expenses (including reasonable attorneys' fees and costs), obligations, liens, liabilities, actions and causes of action, threatened or actual, which the Landlord Indemnified Parties may suffer or incur arising out of or in connection with Tenant exercising its rights under the Lease, Tenant's or Tenant's employees', contractors' or agents' use of the Leased Premises, the conduct of Tenant's business, any activity, work or things done, knowingly permitted or suffered by Tenant in the Leased Premises, the Building or done by Tenant, its employees, contractors or agents, on the Parking Areas or the Land, or Tenant's employees', contractors' or agents' nonobservance or nonperformance of any Laws by Tenant (except to the extent such observance is Landlord's obligation), or caused by any negligence of the Tenant's employees, contractors or agents; provided, however, Tenant's indemnity, defense and hold harmless obligation shall not apply to any liability from which Tenant has been released as provided in Section 8.04 or any damage, claim, loss, demand, cost, expense (including reasonable attorneys' fees and costs), obligations, liens, liabilities, actions and causes of action, threatened or actual, arising out of the act or omission of any Landlord

Indemnified Party. Tenant further agrees that in case of any claim, demand, action or cause of action, threatened or actual, against a Landlord Indemnified Party upon which Tenant indemnifies Landlord pursuant to the immediately preceding sentence, Tenant, upon notice from Landlord or such Landlord Indemnified Party, shall defend the Landlord Indemnified Party at Tenant's expense. In the event Tenant does not provide such a defense against any and all such claims, demand, actions or causes of action, threatened or actual, then Tenant will, in addition to the above, pay each Landlord Indemnified Party the reasonable attorneys' fees, legal expenses and costs incurred by such Landlord Indemnified Party in providing or preparing such defense, and Tenant agrees to cooperate with the Landlord Indemnified Party in such defense, including, but not limited to, the providing of affidavits and testimony upon request of Landlord or the Landlord Indemnified Party.

B. **By Landlord**. Landlord does hereby indemnify, defend, forever save and hold Tenant and Tenant's agents, contractors, licensees, employees, directors, officers, members, partners and trustees (each a "**Tenant Indemnified Party**" and collectively," **Tenant Indemnified Parties**") harmless from and against any and all damages, claims, losses, demands, costs, expenses (including reasonable attorneys' fees and costs), obligations, liens, liabilities, actions and causes of action, threatened or actual, which the Tenant Indemnified Parties may suffer or incur arising out of or in connection any activity, work or things done, knowingly permitted or suffered by Landlord in the Leased Premises, the Building or done by Landlord, its employees, contractors or agents, on the Parking Areas or the Land, or Landlord's employees', contractors' or agents' nonobservance or nonperformance of any Laws by Landlord (except to the extent such observance is Tenant's obligation), or caused by any negligence of the Landlord's employees, contractors or agents; provided, however, Landlord's indemnity, defense and hold harmless obligation shall not apply to any liability from which Landlord has been released as provided in Section 8.04 or any damage, claim, loss, demand, cost, expense (including reasonable attorneys' fees and costs), obligations, liens, liabilities, actions and causes of action, threatened or actual, arising out of the act or omission of any Tenant Indemnified Party. Landlord further agrees that in case of any claim, demand, action or cause of action, threatened or actual, against a Tenant Indemnified Party upon which Landlord indemnifies Tenant pursuant to the immediately preceding sentence, Landlord, upon notice from Tenant or such Tenant Indemnified Party, shall defend the Tenant Indemnified Party at Landlord's expense. In the event Landlord does not provide such a defense against any and all such claims, demand, actions or causes of action, threatened or actual, then Landlord will, in addition to the above, pay each Tenant Indemnified Party the reasonable attorneys' fees, legal expenses and costs incurred by such Tenant Indemnified Party in providing or preparing such defense, and Landlord agrees to cooperate with the Tenant Indemnified Party in such defense, including, but not limited to, the providing of affidavits and testimony upon request of Tenant or the Tenant Indemnified Party.

Section 9.02. Tenant's Insurance. Tenant shall at all times during the Lease Term carry, at its own expense, one or more policies of commercial general liability and property damage insurance, issued by one or more insurance companies rated A-/VIII or better by A.M. Best, with

the following minimum coverages against loss of or damage or injury to any person (including death resulting therefrom) or property occurring in, on or about the Leased Premises:

A.	Worker's Compensation	-	minimum statutory amount.
B.	Commercial General Liability Insurance, including Blanket, Contractual Liability Broad Form Property Damage, Personal Injury, Completed Operations, Products Liability, Fire Damage.	-	not less than $5,000,000 Combined Single Limit for both bodily injury and property damage.

C. Fire and Extended Coverage, Vandalism and Malicious Mischief, and Sprinkler Leakage insurance, for the full cost of replacement of Tenant's personal property located on or in the Leased Premises. Tenant may self-insure such coverage, provided that Tenant provides reasonable evidence of Tenants' self-insurance program and such program is acceptable to Landlord, in Landlord's reasonable discretion.

Such liability insurance policy or policies shall protect Tenant and Landlord as their interests may appear, naming Landlord and Landlord's managing agent and mortgagee as additional insureds and shall provide that they may not be cancelled on less than thirty (30) days prior written notice to Landlord or Landlord's mortgagee. Tenant shall furnish Landlord with Certificates of Insurance evidencing such coverage. Should Tenant fail to carry such insurance and furnish Landlord with Certificates of Insurance after a request to do so, Landlord shall have the right to obtain such insurance and collect the cost thereof from Tenant as additional rent.

Notwithstanding anything to the contrary contained in Article 9, Tenant may, at its option, satisfy any or all of its obligations to insure with (a) a so-called "blanket" policy or policies of insurance, or (b) an excess or umbrella liability policy or policies of insurance, now or hereafter carried and maintained by Tenant; provided, however, that Landlord and any additional party named pursuant to the terms of this Lease shall be named as additional insured thereunder, and provided that the coverage afforded Landlord and any additional insureds shall not be reduced or diminished by reason of the use of any such blanket or umbrella policy or policies and that all the requirements set forth in this Article 9 are otherwise satisfied.

Section 9.03. Landlord's Insurance. Landlord shall during construction carry a policy of Builder's Risk insurance and at all times during the Lease Term carry a policy of insurance which insures the Building, Parking Areas and the Tenant's leasehold improvements and improvements and betterments against loss or damage by fire or other casualty (namely, the perils against which insurance is afforded by a Causes of Loss Special Form insurance policy) for at least the full replacement value thereof; provided, however, that Landlord shall not be responsible for, and shall not be obligated to insure against, any loss of or damage to any personal property of Tenant or which Tenant may have in the Building or the Leased Premises

including any trade fixtures installed by or paid for by Tenant on the Leased Premises. Tenant shall be an additional insured and loss payee under such policy, as their interest may appear. Such policy shall not be modified without giving Tenant at least thirty (30) days' notice. Landlord shall furnish Tenant with Certificates of Insurance evidencing such coverage.

Landlord shall provide and maintain commercial general liability insurance with respect to the Parking Areas with a combined single limit of not less than Five Million Dollars ($5,000,000), including insurance against the assumed or contractual liability of Landlord hereunder for bodily injury, death, and property damage. Such insurance policy or policies shall protect Tenant and Landlord as their interests may appear, naming Tenant as an additional insured and shall provide that it may not be cancelled on less than thirty (30) days prior written notice to Tenant. Landlord shall furnish Tenant with Certificates of Insurance evidencing such coverage.

Notwithstanding anything to the contrary contained in Section 9.03, Landlord may, at its option, satisfy any or all of its obligations to insure with (a) a so-called "blanket" policy or policies of insurance, or (b) an excess or umbrella liability policy or policies of insurance, now or hereafter carried and maintained by Landlord; provided, however, that Tenant shall be named as additional insured and loss payee thereunder, and provided that the coverage afforded Tenant and any additional insureds shall not be reduced or diminished by reason of the use of any such blanket or umbrella policy or policies and that all the requirements set forth in this Section 9.03 are otherwise satisfied. Subject to Tenant's approval, Landlord may have a deductible under such policies. Landlord's policies of insurance shall be issued by one or more insurance companies rated [A-/VIII or better] by A.M. Best and shall be written by an insurance company licensed to do business in North Carolina.

ARTICLE 10 - EMINENT DOMAIN

If the whole or any substantial part of the Leased Premises (such that the remaining part of the Leased Premises would be inadequate for use by Tenant for the purpose for which they were leased) shall be taken for public or quasi-public use by a governmental or other authority having the power of eminent domain or shall be conveyed to such authority in lieu of such taking, then Landlord shall have the option to terminate this Lease upon thirty (30) days written notice from Landlord to Tenant. In the event Landlord does not exercise such option, and if such taking or conveyance would cause the remaining part of the Leased Premises to be inadequate for use by Tenant for the purpose for which they were leased, then Tenant may, at its option, terminate this Lease as of the date Tenant is required to surrender possession of the Leased Premises by giving Landlord written notice of such termination. If a part of the Leased Premises shall be taken or conveyed but the remaining part is tenantable and adequate for Tenant's use, then this Lease shall be terminated as to the part taken or conveyed as of the date Tenant surrenders possession; Landlord shall make such repairs, alterations and improvements as may be necessary to render the part not taken or conveyed tenantable within one hundred twenty (120) days after such taking, to the extent reasonably practicable; and the rent shall be reduced in proportion to the part of the Leased Premises so taken or conveyed and temporarily reduced to the extent unusable during the reconstruction. All compensation awarded for such taking or conveyance shall be the property of Landlord without any deduction therefrom for any present or future estate of Tenant, and Tenant hereby assigns to Landlord all its rights, title and interest in and to any such award. However, Tenant shall have the right to recover from such authority, but not from Landlord, such

compensation as may be awarded to Tenant on account of procuring, designing, moving and relocation expenses, as well as any unamortized (over the useful life) amounts of Shell Building and Tenant Improvement/Soft Costs Building Excess Expenses, if applicable.

ARTICLE 11 - LIENS

If, because of any act or omission of Tenant or any person claiming by, through, or under Tenant, any mechanic's lien or other lien shall be filed against the Leased Premises or the Building or against other property of Landlord (whether or not such lien is valid or enforceable as such), Tenant shall, at its own expense, cause the same to be discharged of record within thirty-five (35) days after the date Tenant has notice from Landlord of filing thereof, and shall also indemnify Landlord and hold it harmless from any and all claims, losses, damages, judgments, settlements, costs and expenses, including reasonable attorneys' fees, resulting therefrom or by reason thereof. If Tenant shall not cause a lien to be discharged within fifteen (15) days after Tenant's receipt of a second notice, Landlord may, but shall not be obligated to, bond such lien so that it is released of record and, if Landlord does so, then Tenant shall pay to Landlord, upon demand, the cost of such bond, plus all other out of pocket costs and expenses incurred in connection therewith.

ARTICLE 12 - RENTAL, PERSONAL PROPERTY AND OTHER TAXES

To the extent Tenant's failure to pay the same may result in a lien on the Leased Premises, Tenant shall pay before delinquency any and all taxes, assessments, fees or charges, including any sales, gross income, rental, business occupation or other taxes, levied or imposed upon Tenant's business operations in the Leased Premises and any personal property or similar taxes levied or imposed upon Tenant's trade fixtures or other personal property located within the Leased Premises. In the event any such taxes, assessments, fees or charges are charged to the account of, or are levied or imposed upon the property of Landlord, Tenant shall reimburse Landlord for the same as additional rent. Notwithstanding the foregoing, Tenant shall have the right to contest in good faith any such item and to defer payment until after Tenant's liability therefor is finally determined so long as Landlord is held harmless from any liability through bonding or such other security as is reasonably appropriate.

ARTICLE 13 - ASSIGNMENT AND SUBLETTING

Section 13.01. Assignment and Subletting. Except as hereinafter set forth, Tenant may not assign or sublet this Lease or any part thereof, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned; and any attempted assignment without such consent shall be invalid. In the event of a permitted (pursuant to any provision of this Lease) assignment or subletting, Tenant shall at all times remain fully responsible and liable for the payment of rent and the performance and observance of all of Tenant's other obligations under the terms, conditions and covenants of this Lease, unless the assignee has or achieves a tangible net worth of at least Fifty Million and 00/100 Dollars ($50,000,000.00) (the "**Minimum Net Worth**"), in which event Tenant shall automatically be released from all subsequent liabilities. Upon the occurrence of an event of default beyond any notice and cure period, if all or any part of the Leased Premises are then assigned or sublet, Landlord, in addition to any other remedies provided by this Lease or by law, may, at its option,

collect directly from the assignee or subtenant all rent becoming due to Landlord by reason of the assignment or subletting. Any collection by Landlord from the assignee or subtenant shall not be construed to constitute a waiver or release of Tenant from the further performance of its obligations under this Lease or the making of a new lease with such assignee or subtenant.

Any request for consent delivered by Tenant to Landlord shall be in writing, accompanied by (i) all information available to Tenant relating to the responsibility, financial condition and business of the proposed assignee or subtenant; (ii) a copy of the offer, certified by Tenant to be true and complete, and (iii) a copy of the proposed sublease agreement or assignment instrument to be executed by the parties.

Section 13.02. Permitted Transfers. Notwithstanding anything to the contrary, Landlord's consent shall not be required for (a) Tenant to assign, transfer or otherwise convey this Lease or sublet all or any portion of the Leased Premises in connection with a merger, consolidation or reorganization of Tenant with an unaffiliated party or a sale or transfer of all or a substantial portion of the assets of Tenant; or (b) the transfer to an unaffiliated third-party of stock or membership interests of Tenant or a public offering by Tenant; or (c) Tenant to assign or sublet to an Affiliate. For the purposes of this Lease, the term "Affiliate" shall mean Tenant's parent or any division, subsidiary or Affiliate of Tenant, or any other entity controlling, controlled by, or under common control or ownership with Tenant, Tenant's parent or any successor to any of the aforesaid.

ARTICLE 14 - TRANSFERS BY LANDLORD

Section 14.01. Sale and Conveyance of the Building. Subject to the right of Tenant to purchase the Building under Sections 19.02, Landlord shall have the right to sell, convey or transfer its interest in the Building and the Land or the control thereof at any time during the Lease Term; and such sale and conveyance or other transfer of Landlord's interest or control of the Building or Land shall operate to release Landlord's interest from liability hereunder arising after the date of such conveyance as provided in Section 15.04, provided such transferee agrees in writing to assume all obligations of Landlord under this Lease first accruing on or after date of such conveyance.

Section 14.02. Subordination. Provided Landlord delivers to Tenant an executed, recordable agreement from the holder of a mortgage in the form attached hereto as **Exhibit E** (an "**SNDA**"), Landlord shall have the right to subordinate this Lease to the mortgage of any such holder. Notwithstanding the foregoing, no default by Landlord under any such mortgage shall affect Tenant's rights hereunder so long as Tenant is not in default under this Lease beyond any notice and cure period. Tenant shall, in the event any proceedings are brought for the foreclosure of any such mortgage, attorn to the purchaser upon any such foreclosure and recognize such purchaser as the landlord under this Lease. Notwithstanding the foregoing, the holder of any such mortgage shall have the right to subordinate such mortgage to this Lease on such terms and subject to such conditions as such holder shall deem appropriate in its discretion, and Tenant shall execute any instruments necessary to evidence such subordination provided Tenant receives a non-disturbance agreement reasonably acceptable to Tenant.

Concurrently with Landlord's execution of this Lease, Landlord shall provide Tenant with an SNDA in form as set forth on **Exhibit E**, signed by the holder of the mortgage encumbering the Land as of the date hereof.

ARTICLE 15 - DEFAULTS AND REMEDIES

Section 15.01. Defaults by Tenant. The occurrence of any one or more of the following events after any applicable cure period shall be a default (the term "default" shall mean and include the expiration of any applicable cure period set forth in this Lease) under and breach of this Lease by Tenant:

A. Tenant shall fail to pay any Monthly Base Rental Installment of Minimum Annual Base Rent or the Annual Rental Adjustment or any other amounts due hereunder within seven (7) days after written notice from Landlord of such default; provided, however, Landlord shall only be obligated to provide such notice twice during any Lease Year.

B. Tenant shall fail to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease for a period of thirty (30) days after notice thereof from Landlord; unless Tenant shall fail commence such performance within said thirty-day period and thereafter diligently undertake to complete the same and does so complete the required action within a reasonable time.

C. A trustee or receiver shall be appointed to take possession of substantially all of Tenant's assets in, on or about the Leased Premises or of Tenant's interest in this Lease (and Tenant does not regain possession within ninety (90) days after such appointment); Tenant makes an assignment for the benefit of creditors; or substantially all of Tenant's assets in, on or about the Leased Premises or Tenant's interest in this Lease are attached or levied under execution (and Tenant does not discharge the same within one hundred twenty (120) days thereafter).

D. A petition in bankruptcy, insolvency, or for reorganization or arrangement is filed by or against Tenant pursuant to any federal or state statute (and, with respect to any such petition filed against it, Tenant fails to secure a stay or discharge thereof within one hundred twenty (120) days after the filing of the same).

Section 15.02. Remedies of Landlord. Upon the occurrence of any event of default set forth in Section 15.01, Landlord shall have the following rights and remedies, in addition to those allowed by law, any one or more of which may be exercised without further notice to or demand upon Tenant;

A. Landlord may re-enter the Leased Premises and cure any default of Tenant, in which event Tenant shall reimburse Landlord as additional rent for any reasonable out of pocket costs and expenses which Landlord may incur to cure such default.

B. Landlord may terminate this Lease as of the date of such default, in which event: (i) neither Tenant nor any person claiming under or through Tenant shall thereafter be entitled to possession of the Leased Premises, and Tenant shall immediately thereafter surrender the Leased Premises to Landlord; (ii) Landlord may re-enter the Leased

Premises and dispossess Tenant or any other occupants of the Leased Premises using judicial process, and may remove their effects, without prejudice to any other remedy which Landlord may have for possession or arrearages in rent; and (iii) notwithstanding the termination of this Lease, Landlord may declare the present value of all rent which would have been due under this Lease for the balance of the term in excess of the present value (using the then current Prime Rate plus four percent (4%) as the discount rate) of all rent which Tenant proves Landlord could have collected during such period to be immediately due and payable subject to any mitigation, whereupon Tenant shall be obligated to pay the same to Landlord, together with all loss or damage which Landlord may sustain by reason of such termination, it being expressly understood and agreed that the liabilities and remedies specified in this subsection (B)(l) of Section 15.02 shall survive the termination of this Lease; or

C. Landlord may, without terminating this Lease, re-enter the Leased Premises and re-let all or any part of the Leased Premises for a term different from that which would otherwise have constituted the balance of the Lease Term and for rent and on terms and conditions different from those contained herein, whereupon Tenant shall immediately be obligated to pay to Landlord as liquidated damages the net present value (using Prime Rate as the discount rate) difference between the rent provided for herein and that provided for in any lease covering a subsequent re-letting of the Leased Premises, for the period which would otherwise have constituted the balance of the Lease Term, together with all of Landlord's reasonable costs and expenses for preparing the Leased Premises for re-letting, including all repairs which were Tenant's responsibility hereunder (but specifically excluding the costs of any alterations or tenant finish improvements not reimbursed by the new tenant), brokers' and attorneys' fees incurred in connection with such reletting, and all loss or damage which Landlord may sustain by reason of such re-entry and re-letting.

D. Landlord or Tenant may sue for injunctive relief or to recover damages for any loss resulting from the other party's breach.

Landlord shall, in any event, use good faith, commercially reasonable efforts to mitigate its damages and re-rent the Leased Premises in the event of a default by Tenant.

Section 15.03. Default by Landlord and Remedies of Tenant. In the event Landlord fails to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease within thirty (30) days after Tenant has provided Landlord with written notice of such failure (or within a reasonable time if such failure cannot be reasonably performed within such thirty (30) day period and Landlord commences such performance within such thirty (30) day period and thereafter diligently pursues such cure to completion within a reasonable time), Tenant, in addition to any other rights and remedies available in law, shall have the right (but not the obligation), to cure such failure and Landlord shall reimburse Tenant for the reasonable costs incurred by Tenant in connection with such cure within thirty (30) days after demand therefor by Tenant; and if Landlord shall not reimburse Tenant within such thirty (30) day period, Tenant have the right to set-off such amount against Base Rent.

Section 15.04. Limitation of Landlord's Liability. If Landlord shall fail to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this

Lease, and if Tenant shall, as a consequence thereof, recover a money judgment against Landlord, Tenant agrees that Landlord shall have no personal liability, and Tenant shall look solely to Landlord's interest in and to the Leased Premises and the rents, proceeds and profits thereof for the collection of such judgment; and Tenant further agrees that no other assets of Landlord shall be subject to levy, execution or other process for the satisfaction of Tenant's judgment and that Landlord shall not be liable for any deficiency.

The references to "Landlord" in this Lease shall be limited to mean and include only the owner or the owners of the fee or ground lease interest in the Building. In the event of a sale or transfer of such interest (except a mortgage or other transfer as security for a debt), the "Landlord" initially named herein, or in the case of a subsequent transfer, the transferor, shall, after the date of such transfer, be automatically released from all personal liability for the performance or observance of any term, condition, covenant or obligation required to be performed or observed by Landlord hereunder arising after the date of such transfer provided such is expressly assumed by the transferee; and the transferee shall be deemed to have assumed all of such terms, conditions, covenants and obligations.

Section 15.05. Non-Waiver of Defaults. The failure or delay by either party hereto to exercise or enforce at any time any of the rights or remedies or other provisions of this Lease shall not be construed to be a waiver thereof, nor affect the validity of any part of this Lease or the right of either party thereafter to exercise or enforce each and every such right or remedy or other provision. No waiver of any default and breach of the Lease shall be deemed to be a waiver of any other or further default and breach. The receipt by Landlord of less than the full rent due shall not be construed to be other than a payment on account of rent then due, nor shall any statement on Tenant's check or any letter accompanying Tenant's check be deemed an accord and satisfaction, and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of the rent due or to pursue any other remedies provided in this Lease. The receipt by Tenant of less than the full amount due Tenant shall not be construed to be other than a payment on account of the amount then due, nor shall any statement on Landlord's check or any letter accompanying Landlord's check be deemed an accord and satisfaction, and Tenant may accept such payment without prejudice to Tenant's right to recover the balance of the amount due or to pursue any other remedies provided in this Lease, in law or equity.

Section 15.06. Attorneys' Fees. In the event either party defaults in the performance or observance of any of the terms, conditions, covenants or obligations contained in this Lease and the non-defaulting party employs attorneys to litigate such default, the non-prevailing party agrees to reimburse the prevailing party for the attorney's fees and reasonable costs incurred thereby.

Section 15.07. Force Majeure. Notwithstanding any other provision contained in this Lease or elsewhere, but subject to the terms of Section 2.02(M), Landlord or Tenant shall not be chargeable with, liable for, or responsible to the other for anything or in any amount for any failure to perform or delay caused by fire, earthquake, explosion, flood, hurricane, pandemic, the elements, acts of God or the public enemy, action, restrictions, limitations, or interference of governmental authorities or agents, delays in the issuance of permits or granting of approvals due to the failure of the applicable governmental authority, or its agents, to respond, or its delay in responding to proper submissions, applications or requests for action by Landlord or its agents,

war, invasion, insurrection, rebellion, riots, strikes or lockouts shortages of labor or materials or any other cause whether similar or dissimilar to the foregoing which is beyond the reasonable control of Landlord or Tenant (each a "**Force Majeure Event")** and any such failure or delay due to said causes or any of them shall not be deemed a breach of or default in the performance of this Lease. In the event that Tenant's occupancy is delayed due to the events stated above, the Rent Commencement Date shall be extended by the number of days of such delay. Notwithstanding anything to the contrary, no Force Majeure Event shall apply to Tenant's obligation to pay rent, additional rent, reimbursements, fees or other charges due Landlord or any contractor, agent or any other person or entity with a business relationship with Landlord. Notwithstanding the foregoing, Tenant shall have the right to defer fifty percent (50%) of each payment of Minimum Annual Base Rent for a period not to exceed ninety (90) consecutive days in the event Tenant is unable to operate in the Leased Premises due to government-mandated laws or regulations; provided that Tenant must repay any deferment of such Minimum Annual Base Rent in equal installments during the six (6) month period beginning after the expiration of the period in which Minimum Annual Base Rent was deferred.

ARTICLE 16 - TENANT'S RESPONSIBILITY REGARDING ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES

Section 16.01. Environmental Definitions.

A. "**Environmental Laws" -** All present or future federal, state and municipal laws, ordinances, rules and regulations applicable to the environmental and ecological condition of the Leased Premises, including the rules and regulations of the United States Environmental Protection Agency or of any other federal, state or municipal agency or governmental board or entity having jurisdiction over the Leased Premises.

B. "**Hazardous Substances" -** Those substances included within the definitions of "hazardous substances", "hazardous materials", "toxic substances" "solid waste" or "infectious waste" under Environmental Laws.

Section 16.02. Compliance.

A. **By Tenant**. Subject to the provisions of Section 16.02.B., below, Tenant, at its sole cost and expense, shall promptly comply with the Environmental Laws including any notice issued by any governmental agency or board pursuant to the Environmental Laws, which shall impose any duty upon Tenant with respect to the use and occupancy of the Leased Premises whether such notice shall be served upon Landlord or Tenant; provided, however that Tenant shall have the right to contest the validity of any such notice but shall comply therewith pending the determination of such validity; provided that Tenant may seek a stay of any obligation to comply with such notice from any governmental agency or board at Tenant's sole cost and expense, provided that (i) Tenant shall be liable to Landlord for any loss or damages suffered by Landlord (including, without limitation, damage to the Building or Common Areas) as a result of such stay and (ii) the Tenant's obligations under this Article 16, including, without limitation, its indemnification obligations, shall continue in full force and effect notwithstanding such stay.

B. **By Landlord**. Landlord, at its sole cost and expense, shall promptly comply with the Environmental Laws including any notice issued by any governmental agency or board pursuant to the Environmental Laws, (i) relating to any Hazardous Substances existing at the Leased Premises on or prior to the date of this Lease, and (ii) relating to the existence of any Hazardous Substances existing at the Leased Premises after the date of this Lease, the presence of which resulted from the acts or omissions of any person or entity other than Tenant, its agents, employees, or contractors; provided, however that Landlord shall have the right to contest the validity of any such notice but shall comply therewith pending the determination of such validity; provided that Landlord may seek a stay of any obligation to comply with such notice from any governmental agency or board at Landlord's sole cost and expense, provided that (i) Landlord shall be liable to Tenant for any loss or damages suffered by Tenant (including, without limitation, damage to the Building or Common Areas) as a result of such stay and (ii) the Landlord's obligations under this Article 16, including, without limitation, its indemnification obligations, shall continue in full force and effect notwithstanding such stay.

Section 16.03. Restrictions. (a) Tenant shall operate its business in material compliance with all Environmental Laws. Tenant shall not cause or permit (to the extent such is within the reasonable control of Tenant or Tenant's employees, agents, contractors and licensees) the use, generation, release, manufacture, refining, production, processing, storage or disposal of any Hazardous Substances on, under or about the Leased Premises, or the transportation to or from the Leased Premises of any Hazardous Substances, except as necessary and appropriate for its Permitted Use in which case the use, storage or disposal of such Hazardous Substances shall be performed in compliance with the Environmental Laws and good management practices prevailing in the industry.

(b) Landlord shall conduct its activities in the Leased Premises in material compliance with all Environmental Laws. Landlord shall not cause or permit (to the extent such is within the reasonable control of Landlord or Landlord's employees, agents, contractors and licensees) the use, generation, release, manufacture, refining, production, processing, storage or disposal of any Hazardous Substances on, under or about the Leased Premises, or the transportation to or from the Leased Premises of any Hazardous Substances, except as necessary and appropriate for performing its activities on the Leased Premises, in which case the use, storage or disposal of such Hazardous Substances shall be performed in compliance with the Environmental Laws and good management practices prevailing in the industry.

Section 16.04. Notices, Affidavits, Etc. Tenant shall promptly notify Landlord of (i) any violation by Tenant, its employees, agents, representatives, customers, invitees or contractors of the Environmental Laws on, under or about the Leased Premises, or (ii) the presence or suspected presence of any Hazardous Substances in violation of Section 16.03 on, under or about the Leased Premises and shall promptly deliver to Landlord any notice received by Tenant relating to (i) and (ii) above from any source. Tenant shall provide all information in its possession, including executing affidavits, representations and the like reasonably requested by Landlord within twenty (20) days of Landlord's request therefor concerning Tenant's best knowledge and belief regarding the presence of any Hazardous Substances on, under or about the Leased Premises.

Section 16.05. Landlord's Rights. Subject to the provisions of Section 5.03, Landlord and its agents shall have the right, but not the duty, to inspect the Leased Premises and conduct tests thereon to determine whether or the extent to which there has been a violation of Environmental Laws by Tenant or whether there are Hazardous Substances on, under or about the Leased Premises.

Section 16.06. Tenant's Indemnification. Tenant shall indemnify, defend and hold harmless Landlord, Landlord's managing agent and Landlord's officers, directors, shareholders, employees and agents from any and all claims, losses, liabilities, costs, expenses and damages, including reasonable attorneys' fees, costs of testing and remediation costs, incurred by Landlord in connection with any breach by Tenant of its obligations under this Article 16. The covenants and obligations under this Article 16 with respect to matters arising during the Lease Term shall survive the expiration or earlier termination of this Lease.

Section 16.07. Landlord's Agreements Regarding Hazardous Substances. Landlord represents and warrants, to Landlord's actual knowledge, that (a) no leak, spill, release, generation, discharge, emission or disposal of Hazardous Substances has occurred on the Land prior to the date of this Lease; (b) there are no buried, partially buried, above-ground or other tanks, storage vessels, drums or containers located in or on the Leased Premises; (c) Landlord has received no warning, notice, notice of violation, administrative complaint, judicial complaint or formal or informal notice alleging that conditions on the Leased Premises are in violation of any Environmental Laws. Landlord shall indemnify, defend and hold harmless Tenant and Tenant's members, officers, directors, shareholders, employees and agents from any and all claims, losses, liabilities, costs, expenses and damages, including reasonable attorneys' fees, caused by (x) the breach by Landlord of the representation made in the preceding sentence; (y) any breach by Landlord of its obligations under Section 16.03(b); or (z) the leakage, spillage, discharge, or release of any Hazardous Substance as a result of Landlord's, its agents, employees, or contractor's acts or omissions. Landlord covenants and agrees that to the extent it cleans up, removes and/or remediates any contamination, it will use commercially reasonable efforts to minimize any resulting interference with Tenant's operations on the Leased Premises. This Section 16.07 shall survive the termination or expiration of this Lease.

ARTICLE 17 - NOTICE AND PLACE OF PAYMENT

Section 17.01. Notices. Any notice required or permitted to be given under this Lease or by law shall be deemed to have been given if it is written and delivered by (a) nationally recognized overnight courier or (b) Registered or Certified mail, postage prepaid. The effective date of any notice given via overnight courier or Registered or Certified mail shall be the date of the receipt. Rejection or other refusal to accept notice shall be deemed to be receipt as of the date of rejection or refusal. The address specified in the Basic Lease Provisions may be changed by giving written notice thereof to the other party.

Section 17.02. Place of Payment. All rent and other payments required to be made by Tenant to Landlord shall be delivered or mailed to Landlord at the address specified in the Basic Lease Provisions or to Landlord's management agent at any other address Landlord may specify from time to time by written notice given to Tenant.

ARTICLE 18 - MISCELLANEOUS GENERAL PROVISIONS

Section 18.01. Condition of Premises. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Leased Premises or the Building or with respect to the suitability or condition of any part of the Building for the conduct of Tenant's business except as provided in this Lease.

Section 18.02. [Intentionally Omitted]

Section 18.03. Choice of Law. This Lease shall be governed by and construed pursuant to the laws of the State of Ohio.

Section 18.04. Successors and Assigns. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

Section 18.05. Time. Time is of the essence of this Lease and each and all of its provisions.

Section 18.06. Defined Terms and Marginal Headings. The words "Landlord" and "Tenant: used herein shall include the plural as well as the singular. If more than one person is named as the initial Tenant, the obligations of such persons are joint and several. The marginal headings and titles to the articles, sections and paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

Section 18.07. Prior Agreements. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest.

Section 18.08. Severability of Invalid Provisions. If any provision of this Lease shall be held to be invalid, void or unenforceable, the remaining provisions hereof shall not be affected or impaired, and such remaining provisions shall remain in full force and effect.

Section 18.09. Definition of the Relationship between the Parties. Landlord shall not, by virtue of the execution of this Lease or the leasing of the Leased Premises to Tenant, become or be deemed a partner of or joint venturer with Tenant in the conduct of Tenant's business on the Premises or otherwise.

Section 18.10. Estoppel Certificate. Each party shall, within twenty (20) days following receipt of a written request of the other party, deliver a written instrument to the other party or to any other person or firm specified by such other party, a written statement, in substantially the form of **Exhibit F**.

Section 18.11 Recordation of Lease. Neither party shall record this Lease. At the request of either party, however, the parties shall promptly execute, acknowledge and delivery to each other a short-form memorandum of lease in substantially the form attached hereto as **Exhibit G,** which may be recorded by either party.

ARTICLE 19 - ADDITIONAL PROVISIONS

Section 19.01. Options to Extend.

A. Provided Tenant is not in default hereunder as of the date it exercises an Extension Option (as hereinafter defined), Tenant shall have the option to extend the original Lease Term (the "**Original Term**") for consecutive periods of one (1) additional period of ten (10) years, followed by two (2) additional periods of five (5) years each (each, an "**Extension Option**"; the "**Extension Term(s)**"). Each Extension Term shall be upon the same terms and conditions contained in the Lease for the Original Term except (i) this provision giving extension options shall be deemed amended to reflect only the remaining options to extend, if any and (ii) the Minimum Annual Base Rent shall be as determined in this Article 19. Tenant shall exercise such option by delivering to Landlord, no later than nine (9) months prior to the expiration of the Original Term or such Extension Term, as the case may be, written notice of Tenant's exercise of its option to extend the Lease Term. If Tenant properly exercises its option to extend, upon the request of Landlord, Tenant shall execute an amendment to the Lease reflecting the terms and conditions of the Extension Term.

B. The Minimum Annual Base Rent in the first Extension Term of ten (10) years shall be:

Lease Year 13	$353,469.89	$4,241,638.70
Lease Year 14	$364,073.99	$4,368,887.86
Lease Year 15	$374,996.21	$4,499,954.49
Lease Year 16	$386,246.09	$4,634,953.13
Lease Year 17	$397,833.48	$4,774,001.72
Lease Year 18	$409,768.48	$4,917,221.77
Lease Year 19	$422,061.54	$5,064,738.43
Lease Year 20	$434,723.38	$5,216,680.58
Lease Year 21	$447,765.08	$5,373,181.00
Lease Year 22	$461,198.04	$5,534,376.43

C. The Minimum Annual Base Rent for each of the two five year Extension Term shall be the higher of (i) Minimum Base Annual Rent in the last year prior to such five year Extension Term, ignoring any Minimum Annual Base Rent abatement, cancellation or other reduction, or (ii) the then fair market rent for the Leased Premises (as so determined for each five (5) year Extension Term, the "**Fair Market Rent")** as hereafter determined.

Within a twenty-one (21) day period following Landlord's receipt of Tenant's valid exercise of its option for an Extension Term pursuant to Section 19.01A., the parties shall confer and attempt to reach agreement as to the fair market rent of the Leased Premises. If Landlord and Tenant cannot reach a determination of such Fair Market Rent within the twenty-one (21) day conference period, then, within ten (10) days after such twenty-one (21) day conference period, Landlord and Tenant will each select and retain an independent MAI certified real estate appraiser, which appraiser has the qualifications set forth below. Each selected appraiser will be paid by the party employing the appraiser and will furnish each party a written determination within thirty (30) days.

a. If the determinations of the two (2) selected appraisers are within ten percent (10%) of each other, then fair market rent will be the average of the two (2) determinations. If the two (2) selected appraisers do not agree within ten percent (10%) on a fair market rent, a third (3rd) independent MAI appraiser, with the qualifications set forth below will be appointed within ten (10) days by the two selected appraisers. The appointed appraiser will be paid equally by each party and will independently select one (1) of the determinations of fair market rent submitted by the first two (2) appraisers, and notify Landlord and Tenant in writing of such decision, within thirty (30) days after his/her appointment.

b. If either party shall fail or refuse to select an appraiser when required under the provisions of subsection (b), then the determination of fair market rent made by the appraiser selected by the other party shall be binding on both parties and shall be the fair market rent. If the appraisers selected by the parties shall fail or refuse to agree upon the appointment of a third appraiser when required under the provisions of this Section 19.01B., then each party will cause the appraiser selected by it to supply the name of one independent MAI appraiser, with the qualifications set forth below, and an employee of Tenant shall draw one (1) name of the two (2) provided, in the presence of an employee of Landlord. In the event the appraiser selected by only one (1) party supplies the name of an independent appraiser when required under the provisions of this Section 19.01B., the independent appraiser named by such appraiser shall be the appointed third appraiser.

Each appraiser referred to above shall be independent and shall be a licensed MAI real estate appraiser with at least five (5) years' experience within the previous ten (10) years as a commercial real estate appraiser working in the county in which the Leased Premises is located, with knowledge of relevant market rental values, sales values and practices in the metropolitan area. An appraiser shall be deemed "independent" if that broker has not previously acted in any capacity for either party within the preceding three (3) years.

If either party objects to the Fair Market Rent that has been set by the appraiser(s), it shall have the right to elect to have this Lease expire at the end of the then-existing Lease Term. Such party's election to allow this Lease to expire at the expiration of the Lease Term must be exercised within twenty (20) days after receipt of notice from the appraisers of the Fair Market Rent. If neither party exercises its election within such 20-day period, the Lease Term shall be extended as provided in this section. If one party so elects, such party shall pay all three appraisers' bills and if both parties so elect, then each party shall pay its own selected appraiser and the third appraiser's bill shall be paid equally by the parties.

Section 19.02. Right of First Offer to Purchase the Leased Premises.

A. Provided that Tenant is not then in default hereunder beyond any notice and cure period as of the date it exercises the option granted herein, Landlord shall notify Tenant in writing ("**Landlord's Notice**") if, at any time during the Lease Term, Landlord desires to sell or transfer all or any portion of the Building and/or the Land (collectively for purposes of this Section 19.02, the "**Offer Property**") to a third party unaffiliated with Landlord. Landlord's

Notice shall contain a copy of the terms upon which Landlord desires to sell the Offer Property. Upon receipt of Landlord's Notice, Tenant shall have the option to purchase the Offer Property at the purchase price and upon such other terms and conditions as are set forth in Landlord's Notice ("**Right of First Offer**"). Tenant shall have thirty (30) days upon receipt of Landlord's Notice in which to notify Landlord of its election to purchase the Offer Property on the terms and conditions contained in Landlord's Notice. In the event Tenant fails to notify Landlord of its agreement to purchase the Offer Property in the manner provided herein within said thirty (30) day period, such failure shall be conclusively deemed a rejection of the Right of First Offer, whereupon Landlord shall be free to sell the Offer Property to a third party upon substantially the terms set forth in Landlord's Notice and, except as next provided, Tenant's Right of First Offer shall be of no further force or effect. If, however, Lessor proposes to sell the Offer Property for less than ninety-eight percent (98%) of the purchase price set forth in Landlord's Notice or upon substantially more favorable terms and conditions than were offered to Tenant, Landlord must reoffer the Offer Property to Tenant at such lower price and/or upon such more favorable terms and conditions in accordance with the tenor hereof. Within thirty (30) days after Tenant notifying Landlord of its agreement to purchase the Offer Property pursuant to this section or such additional time as agreed by Landlord and Tenant in writing, Landlord and Tenant shall enter into a purchase agreement containing the terms and conditions set forth in Landlord's Notice and such other mutually agreed upon terms and conditions, if any. Tenant's right under this Section 19.02 shall terminate and be of no further force or effect upon the closing of a sale to a party named in Landlord's notice.

If Tenant exercises its option to purchase the Offer Property as set forth herein, either party shall have the right to sell/acquire the Offer Property as part of a transaction that is intended to qualify as a tax-deferred exchange under Section 1031 of the Internal Revenue Code of 1986, as amended. The non-exchanging party shall make all reasonable efforts to cooperate with the exchanging party, provided, however, that the date of closing shall not thereby be delayed, the non-exchanging party shall not be obligated to incur any additional expenses and the exchanging party shall defend, indemnify and hold harmless the non-exchanging party against any and all reasonable losses, costs, expenses and liabilities which may arise out of such tax-deferred exchange. To facilitate such exchange, the exchanging party shall have the right to assign its rights under the agreement to a qualified intermediary and to require the non-exchanging party's execution and delivery of all documents and instruments required to affect such exchange to such intermediary.

Section 19.03. Quiet Enjoyment. Provided that Tenant is not in default under this Lease beyond any notice and cure period, Landlord agrees that Tenant shall, at all times during the Lease Term have the peaceable and quiet enjoyment of possession of the Lease Premises and Landlord shall defend such quiet enjoyment against any party.

Section 19.04. Financial Statements. Landlord shall have the right to request copies of Tenant's most recent audited financial statements once each Lease Year, unless the stock of Tenant is publicly traded.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

LANDLORD:

PREMIER CONOVER, LLC

By: Premier Managers II, LLC

By: /s/ Spencer N. Pisczak
Printed: Spencer N. Pisczak
Title: Manager

TENANT:

ARHAUS, LLC

By: /s/ JOHN P. REED
Printed: JOHN P. REED
Title: CEO

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

BEFORE ME, a Notary Public in and for said County and State, appeared Spencer N Pisczak, the Manager of Premier Managers II, the Manager of PREMIER CONOVER, LLC, an Ohio limited liability company, who before me acknowledged that he executed the foregoing instrument on behalf of said entity and the same was his free act and deed in such capacity and the free act and deed of said entity. This is an acknowledgment clause. No oath or affirmation was administered to the signer.

WITNESS my hand and Notarial Seal this 15th day of February, 2021.

/s/ Holly M. Tufts
Notary Public

Holly M. Tufts
(Printed Signature)

My Commission Expires: Aug. 12, 2022

My County of Residence: SUMMIT

STATE OF OHIO)
) SS:
COUNTY OF SUMMIT)

Acknowledged before me, a Notary Public in and for said County and State, personally appeared John P. Reed, by me known and by me known to be the CEO of Arhaus, LLC, a Delaware limited liability company, on behalf of said limited liability company. This is an acknowledgment clause. No oath or affirmation was administered to the signer.

WITNESS my hand and Notarial Seal this 12 day of March, 2021.

/s/ Barbara A. Lee
Notary Public

Barbara A. Lee
(Printed Signature)

My Commission Expires: 11/17/2025

My County of Residence: Summit

EXHIBITS

Exhibit A	-	Legal Description of Land
Exhibit B	-	Project Schedule
Exhibit C	-	Project Description
Exhibit C-1	-	Project Costs
Exhibit D	-	Exterior Elevations
Exhibit E	-	Form of SNDA
Exhibit F	-	Form of Estoppel Certificate
Exhibit G	-	Form of Memorandum of Lease

California Chapters of the
Society of Industrial and Office Realtors,® Inc.

INDUSTRIAL REAL ESTATE LEASE
(SINGLE-TENANT FACILITY)

ARTICLE ONE: **BASIC TERMS**

This Article One contains the Basic Terms of this Lease between the Landlord and Tenant named below. Other Articles, Sections and Paragraphs of the Lease referred to in this Article One explain and define the Basic Terms and are to be read in conjunction with the Basic Terms.

Section 1.01. **Date of Lease:** November 8, 2000

Section 1.02. **Landlord (include legal entity):** Pagoda Partners LLC, an Ohio limited liability company

Address of Landlord: 1801 E. Ninth Street, Suite 1600
Cleveland, Ohio 44114-3103

Section 1.03. **Tenant (include legal entity):** Homeworks, Inc., an Ohio corporation

Address of Tenant: 7700 Northfield Road
Walton Hills, Ohio 44146

Section 1.04. **Property:** (include street address, approximate square footage and description) 7700 Northfield Road, Walton Hills, Ohio 44146 being approximately 55,520 s.f. of building located on approximately 15.5518 acres of land (more fully described in Exhibit A attached hereto).

Section 1.05. **Lease Term:** 17 years -0- months beginning on November 8, 2000, or such other date as is specified in this Lease, and **ending on** October 31, 2017 Five Year Renewal.

Section 1.06. **Permitted Uses:** (See Article Five) Office, general warehousing of Tenant's goods and property and any other purposes permitted by Tenant's Articles of Incorporation.

Section 1.07. **Tenant's Guarantor:** (If none, so state) None

Section 1.08 **Brokers:** (See Article Fourteen) (If none, so state)

Landlord's Broker: None
Tenant's Broker: None

Section 1.09. **Commission Payable to Landlord's Broker:** (See Article Fourteen) $ None

Section 1.10. **Initial Security Deposit**: (See Section 3.03) $ None

Section 1.11. **Vehicle Parking Spaces Allocated to Tenant:** ALL

Section 1.12. **Rent and Other Charges Payable by Tenant:**

(a) BASE RENT: As provided in Exhibit B attached hereto and, as provided in Section 3.01, and shall be increased on the dates stated in Exhibit B attached hereto.

(b) OTHER PERIODIC PAYMENTS: (i) Real Property Taxes (See Section 4.02); (ii) Utilities (See Section 4.03); (iii) Insurance Premiums (See Section 4.04); (iv) Impounds for Insurance Premiums and Property Taxes (See Section 4.07); (v) Maintenance, Repairs and Alterations (See Article Six)

Section 1.13. **Landlord's Share of Profit on Assignment or Sublease:** (See Section 9.05) FIFTY percent (50%) of the Profit (the "Landlord's Share")

Section 1.14. **Riders:** The following Riders are attached to and made a part of this Lease: (If none, so state)

Rider #1 Option to Purchase
Rider #2 Miscellaneous Provisions

Exhibit A
Exhibit B
Exhibit C

ARTICLE TWO: **LEASE TERM**

Section 2.01. **Lease of Property For Lease Term.** Landlord leases the Property to Tenant and Tenant leases the Property from Landlord for the Lease Term. The Lease Term is for the period stated in Section 1.05 above and shall begin and end on the dates specified in Section 1.05 above, unless the beginning or end of the Lease Term is changed under any provision of this Lease. The "Commencement Date" shall be the date specified in Section 1.05 above for the beginning of the Lease Term, unless advanced or delayed under any provision of this Lease.

Section 2.04. **Holding Over.** Tenant shall vacate the Property upon the expiration or earlier termination of this Lease. If Tenant does not vacate the Property upon the expiration or earlier termination of the Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Property shall be a "month-to-month" tenancy, subject to all of the terms of this Lease applicable to a month-to-month tenancy, except that the Base Rent then in effect shall be increased by twenty-five percent (25%)

ARTICLE THREE: **BASE RENT**

Section 3.01. **Time and Manner of Payment.** Upon execution of this Lease, Tenant shall pay Landlord the Base Rent in the amount stated in Paragraph 1.12(a) above for the first month of the Lease Term. On the first day of the second month of the Lease Term and each month thereafter, Tenant shall pay Landlord the Base Rent, in advance, without offset, deduction or prior demand. The Base Rent shall be payable at Landlord's address or at such other place as Landlord may designate in writing. (See Exhibit B)

Section 3.02. **Cost of Living Increases.** The Base Rent shall be increased on each date (the "Rental Adjustment Date") stated in Paragraph 1.12(a) above in accordance with 75% of the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (all items for the geographical Statistical Area in which the Property is located on the basis of 1982-1984 = 100) (the "Index") as follows:

(a) The Base Rent (the "Comparison Base Rent") in effect immediately before each Rental Adjustment Date shall be increased by 75% of the percentage that the Index has increased from the date (the "Comparison Date") on which payment of the Comparison Base Rent began through the month in which the applicable Rental Adjustment Date occurs. The Base Rent shall not be reduced by reason of such computation. Landlord shall notify Tenant of each increase by a written statement which shall include the Index for the applicable Comparison Date, the Index for the applicable Rental Adjustment Date, the percentage increase between those two Indices, and the new Base Rent. Any increase in the Base Rent provided for in this Section 3.02 shall be subject to any minimum or maximum increase, if provided for in Paragraph 1.12(a).

(b) Tenant shall pay the new Base Rent from the applicable Rental Adjustment Date until the next Rental Adjustment Date. Landlord's notice may be given after the applicable Rental Adjustment Date of the increase, and Tenant shall pay Landlord the accrued rental adjustment for the months elapsed between the effective date of the increase and Landlord's notice of such increase within ten (10) days after Landlord's notice. If the format or components of the Index are materially changed after the Commencement Date, Landlord shall substitute an index which is published by the Bureau of Labor Statistics or similar agency and which is most nearly equivalent to the Index in effect on the Commencement Date. The substitute index shall be used to calculate the increase in the Base Rent unless Tenant objects to such index in writing within fifteen (15) days after receipt of Landlord's notice. If Tenant objects, Landlord and Tenant shall submit the selection of the substitute index for binding arbitration in accordance with the rules and regulations of the American Arbitration Association at its office closest to the Property. The costs of arbitration shall be borne equally by Landlord and Tenant.

Section 3.04. **Termination; Advance Payments.** Upon termination of this Lease under Article Seven (Damage or Destruction), Article Eight (Condemnation) or any other termination not resulting from Tenant's default, and after Tenant has vacated the Property in the manner required by this Lease, Landlord shall refund or credit to Tenant (or Tenant's successor) the unused portion of any advance rent or other advance payments made by Tenant to Landlord, and any amounts paid for real property taxes and other reserves which apply to any time periods after termination of the Lease.

ARTICLE FOUR: **OTHER CHARGES PAYABLE BY TENANT**

Section 4.01. **Additional Rent.** All charges payable by Tenant other than Base Rent are called "Additional Rent." Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due with the next monthly installment of Base Rent. The term "rent" shall mean Base Rent and Additional Rent.

Section 4.02. **Property Taxes.**

(a) **Real Property Taxes.** Tenant shall pay all real property taxes on the Property (including any fees, taxes or assessments against, or as a result of, any tenant improvements installed on the Property by or for the benefit of Tenant) during the Lease Term Subject to Section 4.07 below, such payment shall be made at least ten (10) days prior to the delinquency date of the taxes. Within such ten (10) day period, Tenant shall furnish Landlord with satisfactory evidence that the real property taxes have been paid. If Tenant fails to pay the real property taxes when due, Landlord may pay the taxes and Tenant shall reimburse Landlord for the amount of such tax payment as Additional Rent. See Rider #2.

(b) **Definition of "Real Property Tax."** "Real property tax" means: (i) any fee, license fee, license tax, business license fee, commercial rental tax, levy, charge, assessment, penalty or tax imposed by any taxing authority against the Property; (ii) any tax on the Landlord's right to receive, or the receipt of, rent or income from the Property or against Landlord's business of leasing the Property; (iii) any tax or charge for fire protection, streets, sidewalks, road maintenance, refuse or other services provided to the Property by any governmental agency; (iv) any tax imposed upon this transaction or based upon a re-assessment of the Property due to a change of ownership, as defined by applicable law, or other transfer of all or part of Landlord's interest in the Property; and (v) any charge or fee replacing any tax previously included within the definition of real property tax "Real property tax" does not, however, include Landlord's federal or state income, franchise, inheritance or estate taxes.

(d) **Personal Property Taxes.**

(i) Tenant shall pay all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant. Tenant shall try to have personal property taxed separately from the Property.

(ii) If any of Tenant's personal property is taxed with the Property, Tenant shall pay Landlord the taxes for the personal property within fifteen (15) days after Tenant receives a written statement from Landlord for such personal property taxes.

(e) **Tenant's Right to Contest Taxes.** Tenant may attempt to have the assessed valuation of the Property reduced or may initiate proceedings to contest the real property taxes. If required by law, Landlord shall join in the proceedings brought by Tenant. However, Tenant shall pay all costs of the proceedings, including any costs or fees incurred by Landlord. Upon the final determination of any proceeding or contest, Tenant shall immediately pay the real property taxes due, together with all costs, charges, interest and penalties incidental to the proceedings. If Tenant does not pay the real property taxes when due and contests such taxes, Tenant shall not be in default under this Lease for nonpayment of such taxes if Tenant deposits funds with Landlord or opens an interest-bearing account reasonably acceptable to Landlord in the joint names of Landlord and Tenant. The amount of such deposit shall be sufficient to pay the real property taxes plus a reasonable estimate of the interest, costs, charges and penalties which may accrue if Tenant's action is unsuccessful, less any applicable tax impounds previously paid by Tenant to Landlord. The deposit shall be applied to the real property taxes due, as determined at such proceedings. The real property taxes shall be paid under protest from such deposit if such payment under protest is necessary to prevent the Property from being sold under a "tax sale" or similar enforcement proceeding.

Section 4.03. **Utilities.** Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, sewer service, telephone, water, refuse disposal and other utilities and services supplied to the Property. However, if any services or utilities are jointly metered with other property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such utilities and services and Tenant shall pay such share to Landlord within fifteen (15) days after receipt of Landlord's written statement.

Section 4.04. **Insurance Policies.**

(a) **Liability Insurance.** During the Lease Term, Tenant shall maintain a policy of commercial general liability insurance (sometimes known as broad form comprehensive general liability insurance) insuring Tenant against liability for bodily injury, property damage (including loss of use of property) and personal injury arising out of the operation, use or occupancy of the Property. Tenant shall name Landlord as an additional insured under such policy. The initial amount of such insurance shall be One Million Dollars ($1,000,000) per occurrence and shall be subject to periodic increase based upon awards, recommendation of Landlord's professional insurance advisers. The liability insurance obtained by Tenant under this Paragraph 4.04(a) shall (i) be primary and non-contributing; (ii) contain cross-liability endorsements; and (iii) insure Landlord against Tenant's performance under Section 5.05, if the matters giving rise to the indemnity under Section 5.05 result from the negligence of Tenant. The amount and coverage of such insurance shall not limit Tenant's liability nor relieve Tenant of any other obligation under this Lease. Landlord may also obtain comprehensive public liability insurance in an amount and with coverage determined by Landlord insuring Landlord against liability arising out of ownership, operation, use or occupancy of the Property. The policy obtained by Landlord shall not be contributory and shall not provide primary insurance

(b) **Property and Rental Income Insurance.** During the Lease Term, Landlord shall maintain policies of insurance covering loss of or damage to the Property in the full amount of its replacement value including "building ordinance endorsement." Such policy shall contain an Inflation Guard Endorsement and shall provide protection against all perils included within the classification of fire extended coverage, vandalism, malicious mischief, special extended perils (all risk), sprinkler leakage and any other perils which Landlord deems reasonably necessary. Landlord shall have the right to obtain flood and earthquake insurance if required by any lender holding a security interest in the Property. Landlord shall not obtain insurance for Tenant's fixtures or equipment or building improvements installed by Tenant on the Property. During the Lease Term, Landlord shall also maintain a rental income insurance policy, with loss payable to Landlord, in an amount equal to one year's Base Rent, plus estimated real property taxes and insurance premiums. Tenant shall be liable for the payment of any deductible amount under Landlord's or Tenants insurance policies maintained pursuant to this Section 4.04, in an amount not to exceed Ten Thousand Dollars ($10,000). Tenant shall not do or permit anything to be done which invalidates any such insurance policies.

(c) **Payment of Premiums.** Subject to Section 4.07, Tenant shall pay all premiums for the insurance policies described in Paragraphs 4.04(a) and (b) (whether obtained by Landlord or Tenant) within fifteen (15) days after Tenant's receipt of a copy of the premium statement or other evidence of the amount due. If insurance policies maintained by Landlord cover improvements on real property other than the Property, Landlord shall deliver to Tenant a statement of the premium applicable to the Property showing in reasonable detail how Tenant's share of the premium was computed. If the Lease Term expires before the expiration of an insurance policy maintained by Landlord, Tenant shall be liable for Tenant's prorated share of the insurance premiums. Before the Commencement Date, Tenant shall deliver to Landlord a copy of any policy of insurance which Tenant is required to maintain under this Section 4.04. At least thirty (30) days prior to the expiration of any such policy, Tenant shall deliver to Landlord a renewal of such policy. As an alternative to providing a policy of insurance, Tenant shall have the right to provide Landlord a certificate of insurance, executed by an authorized officer of the insurance company, showing that the insurance which Tenant is required o maintain under this Section 4.04 is in full force and effect containing such other information which Landlord reasonably requires.

(d) **General Insurance Provisions.**

(i) Any insurance which Tenant Is required to maintain under this Lease shall include a provision which requires the insurance carrier to give Landlord not less than thirty (30) days' written notice prior to any cancellation or modification of such coverage.

(ii) If Tenant fails to deliver any policy, certificate or renewal to Landlord required under this Lease within the prescribed time period or if any such policy is cancelled or modified during the Lease Term without Landlord's consent, Landlord may obtain such insurance, in which case Tenant shall reimburse Landlord for the cost of such insurance within fifteen (15) days after receipt of a statement that indicates the cost of such insurance.

(iii) Tenant shall maintain all insurance required under this Lease with companies holding a "General Policy Rating" of A-12 or better as set forth in the most current issue of "Best Key Rating Guide". Landlord and Tenant acknowledge the insurance markets are rapidly changing and that insurance in the form and amounts described in this Section 4.04 may not be available in the future. Tenant acknowledges that the insurance described in this Section 4.04 is for the primary benefit of Landlord. If at any time during the Lease Term, Tenant is unable to maintain the insurance required under the Lease, Tenant shall nevertheless maintain insurance coverage which is customary and commercially reasonable in the insurance industry for Tenant's type of business, as that coverage may change from time to time. Landlord makes no representation as to the adequacy of such insurance to protect Landlord's or Tenant's interests. Therefore, Tenant shall obtain any such additional property or liability insurance which Tenant deems necessary to protect Landlord and Tenant

(iv) Unless prohibited under any applicable insurance policies maintained, Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents or representatives of the other, for loss of or damage to its property or the property of others under its control, if such loss or damage is covered by any insurance policy in force (whether or not described in this Lease) at the time of such loss or damage. Upon obtaining the required policies of insurance, Landlord and Tenant shall give notice to the insurance carriers of this mutual waiver of subrogation. See Rider #2.

Section 4.05. **Late Charges.** Tenant's failure to pay rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by any ground lease, mortgage or trust deed encumbering the Property. Therefore, if Landlord does not receive any rent payment within ten (10) days after it becomes due, Tenant shall pay Landlord a late charge equal to ten percent (10%) of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment.

Section 4.06. **Interest on Past Due Obligations.** Any amount owed by Tenant to Landlord which is not paid when due shall bear interest at the rate of fifteen percent (15%) per annum from the due date of such amount. However, interest shall not be payable on late charges to be paid by Tenant under this Lease. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Lease. If the interest rate specified in this Lease is higher than the rate permitted by law the interest rate is hereby decreased to the maximum legal interest rate permitted by law.

Section 4.07. **Impounds for Insurance Premiums and Real Property Taxes.** If requested by any ground lessor or lender to whom Landlord has granted a security interest in the Property, or if Tenant is more than ten (10) days late in the payment of rent more than once in any consecutive twelve (12)-month period, Tenant shall pay Landlord a sum equal to one-twelfth (1/12) of the annual real property taxes and insurance premiums payable by Tenant under this Lease, together with each payment of Base Rent. Landlord shall hold such payments in a non-interest bearing impound account. If unknown, Landlord shall reasonably estimate the amount of real property taxes and insurance premiums when due. Tenant shall pay any deficiency of funds in the impound account to Landlord upon written request. If Tenant defaults under this Lease, Landlord may apply any funds in the impound account to any obligation then due under this Lease.

ARTICLE FIVE: **USE OF PROPERTY**

Section 5.01. **Permitted Uses.** Tenant may use the Property only for the Permitted Uses set forth in Section 1.06 above to the extent not inconsistent with local zoning requirements.

Section 5.02 **Manner of Use.** Tenant shall not cause or permit the Property to be used in any way which constitutes a violation of any law, ordinance, or governmental regulation or order, which annoys or interferes with the rights of other tenants of Landlord, or which constitutes a nuisance or waste. Tenant shall obtain and pay for all permits, including a Certificate of Occupancy, required for Tenant's occupancy of the Property and shall promptly take all actions necessary to comply with all applicable statutes, ordinances, rules, regulations, orders and requirements regulating the use by Tenant of the Property, including the Occupational Safety and Health Act.

Section 5.03. **Hazardous Materials.** As used in this Lease, the term "Hazardous Material" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any applicable federal state or local laws or regulations including without limitation petroleum-based products, paints, solvents lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons. Tenant shall not cause or permit any Hazardous Material to be generated, produced, brought upon, used, stored treated or disposed of in or about the Property by Tenant, its agents, employees, contractors, sublessees or invitees without the prior written consent of Landlord, Landlord shall be entitled to take into account such other factors or facts as Landlord may reasonably determine to be relevant in determining whether to grant or withhold consent to Tenant's proposed activity with respect to Hazardous Material. In no event, however, shall Landlord be required to consent to the installation or use of any storage tanks on the Property.

Section 5.04. **Signs and Auctions.** Tenant shall not place any signs on the Property without Landlord's prior written consent. Tenant shall not conduct or permit any auctions or sheriff's sales at the Property.

Section 5.05. **Indemnity.** Tenant shall indemnify Landlord against and hold Landlord harmless from any and all costs claims or liability arising from: (a) Tenant's use of the Property; (b) the conduct of Tenant's business or anything else done or permitted by Tenant to be done in or about the Property, including any contamination of the Property or any other property resulting from the presence or use of Hazardous Material caused or permitted by Tenant; (c) any breach or default in the performance of Tenant's obligations under this Lease; (d) any misrepresentation or breach of warranty by Tenant under this Lease; or (e) other acts or omissions of Tenant. Tenant shall defend Landlord against any such cost, claim or liability at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in connection with any such claim. As a material part of the consideration to Landlord, Tenant assumes all risk of damage to property or injury to persons in or about the Property arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord, except for any claim arising out of Landlord's gross negligence or willful misconduct. As used in this Section, the term "Tenant" shall include Tenant's employees, agents, contractors and invitees, if applicable.

Section 5.06. **Landlord's Access.** Landlord or its agents may enter the Property at all reasonable times to show the Property to potential buyers investors or tenants or other parties; to do any other act or to inspect and conduct tests in order to monitor Tenant's compliance with all applicable environmental laws and all laws governing the presence and use of Hazardous Material; or for any other purpose Landlord deems necessary. Landlord shall give Tenant prior notice of such entry, except in the case of an emergency. Landlord may place customary "For Sale" or "For Lease" signs on the Property.

Section 5.07. **Quiet Possession.** If Tenant pays the rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Property for the full Lease Term, subject to the provisions of this Lease.

ARTICLE SIX: **CONDITION OF PROPERTY; MAINTENANCE, REPAIRS AND ALTERATIONS**

Section 6.01. **Existing Conditions.** Tenant accepts the Property in its condition as of the execution of the Lease, subject to all recorded matters, laws, ordinances, and governmental regulations and orders. Except as provided herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Property or the suitability of the Property for Tenant's intended use. Tenant represents and warrants that Tenant has made its own inspection of an inquiry regarding the condition of the Property and is not relying on any representations of Landlord or any Broker with respect thereto.

Section 6.02. **Exemption of Landlord from Liability.** Landlord shall not be liable for any damage or injury to the person, business (or any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Property, whether such damage or injury is caused by or results from: (a) fire, steam, electricity, water, gas or rain; (b) the breakage, leakage, obstruction or cause; (c) conditions arising in or about the Property or from other sources or places; or (d) any act or omission of any other tenant of Landlord. Landlord shall not be liable for any such damage or injury even though the cause of or the means of repairing such damage or injury are not accessible to Tenant. The provisions of this Section 6.02 shall not, however, exempt Landlord from liability for Landlord's gross negligence or willful misconduct.

Section 6.03. **Landlord's Obligations.** Subject to the provisions of Article Seven (Damage or Destruction) and Article Eight (Condemnation), Landlord shall have absolutely no responsibility to repair, maintain or replace any portion of the Property at any time. Tenant waives the benefit of any present or future law which might give Tenant the right to repair the Property at Landlord's expense or to terminate the Lease due to the condition of the Property.

Section 6.04. **Tenant's Obligations.**

(a) Except as provided in Article Seven (Damage or Destruction) and Article Eight (Condemnation), Tenant shall keep all portions of the Property (including structural, nonstructural, interior, exterior, and landscaped areas, portions, systems and equipment) in good order, condition and repair (including interior repainting and refinishing, as needed). If any portion of the Property or any system or equipment in the Property which Tenant is obligated to repair cannot be fully repaired or restored, Tenant shall promptly replace such portion of the Property or system or equipment in the Property, regardless of whether the benefit of such replacement extends beyond the Lease Term (as extended), and Tenant shall be liable only for that portion of the cost which is applicable to the Lease Term (as extended). Tenant shall maintain a preventive maintenance contract providing for the regular inspection and maintenance of the heating and air conditioning system by a licensed heating and air conditioning contractor. If any part of the Property is damaged by any act or omission of Tenant, Tenant shall pay Landlord the cost of repairing or replacing such damaged property, whether or not Landlord would otherwise be obligated to pay the cost of maintaining or repairing such property It is the intention of Landlord and Tenant that at all times Tenant shall maintain the portions of the Property which Tenant is obligated to maintain in an attractive, and fully operative Condition.

(b) Tenant shall fulfill all of Tenant's obligations under this Section 6.04 at Tenant's sole expense. If Tenant fails to maintain, repair or replace the Property as required by this Section 6.04, Landlord may, upon ten (10) days' prior notice to Tenant (except that no notice shall be required in the case of an emergency), enter the Property and perform such maintenance or repair (including replacement, as needed) on behalf of Tenant. In such case, Tenant shall reimburse Landlord for all costs incurred in performing such maintenance or repair immediately upon demand.

Section 6.05. **Alterations, Additions, and Improvements.**

(a) Tenant shall not make any alterations, additions, or improvements to the Property without landlord's prior written consent, except for nonstructural alterations which do not exceed Twenty-Five Thousand Dollars ($25,000) in cost cumulatively over the Lease Term and which are not visible from the outside of any building of which the Property is part. Landlord may require Tenant to provide demolition and/or lien and completion bonds in form and amount satisfactory to Landlord. Tenant shall promptly remove any alterations, additions, or improvements constructed in violation of this Paragraph 6.05(a) upon Landlord's written request. All alterations, additions, and improvements shall be done in a good and workmanlike manner, in conformity with all, applicable laws and regulations, and by a contractor approved by Landlord. Upon completion of any such work, Tenant shall provide Landlord with "as built" plans, copies of all construction contracts and proof of payment for all labor and materials.

(b) Tenant shall pay when due all claims for labor and material furnished to the Property. Tenant shall give Landlord at least twenty (20) days' prior written notice of the commencement of any work on the Property, regardless of whether Landlord's consent to such work is required. Landlord may elect to record and post notices of non-responsibility on the Property.

(c) Prohibition of Liens. See Rider #2.

(d) Building Addition. See Rider #2.

Section 6.06. **Condition upon Termination.** Upon the termination of the Lease, Tenant shall surrender the Property to Landlord, broom clean and in the same condition as received except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. However, Tenant shall not be obligated to repair any damage which Landlord is required to repair under Article Seven (Damage or Destruction). In addition, Landlord may require Tenant to remove any alterations, additions or improvements (whether or not made with Landlord's consent) prior to the expiration of the Lease and to restore the Property to its prior condition, all at Tenant's expense. All alterations, additions and improvements which Landlord has not required Tenant to remove shall become Landlord's property and shall be surrendered to Landlord upon the expiration or earlier termination of the Lease, except that Tenant may remove any of Tenant's machinery or equipment which can be removed without material damage to the

Property. Tenant shall repair, at Tenant's expense, any damage to the Property caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment (which shall be deemed Landlord's property) without Landlord's prior written consent: any power wiring or power panels; lighting or lighting fixtures; wall coverings; drapes, blinds or other window coverings; carpets or other floor coverings; heaters, air conditioners or any other heating or air conditioning equipment; fencing or security gates; or other similar building operating equipment and decorations.

ARTICLE SEVEN: **DAMAGE OR DESTRUCTION**

Section 7.01. **Partial Damage to Property.**

(a) Tenant shall notify Landlord in writing immediately upon the occurrence of any damage to the Property. If the Property is only partially damaged (i.e., less than fifty percent (50%) of the Property is untenantable as a result of such damage or less than fifty percent (50%) of Tenant's operations are materially impaired) and if the proceeds received by Landlord from the insurance policies described in Paragraph 4.04(b) are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage as soon as reasonably possible. Landlord may elect (but is not required) to repair any damage to Tenant's fixtures, equipment, or improvements.

(b) If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance policies which Landlord maintains under Paragraph 4.04(b), Landlord may elect either to (i) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (ii) terminate this Lease as of the date the damage occurred. Landlord shall notify Tenant within thirty (30) days after receipt of notice of the occurrence of the damage whether Landlord elects to repair the damage or terminate the Lease. If Landlord elects to repair the damage, Tenant shall pay Landlord the "deductible amount" (if any) under Landlord's insurance policies and, if the damage was due to an act or omission of Tenant, or Tenant's employees, agents, contractors or invitees, the difference between the actual cost of repair and any insurance proceeds received by Landlord. If Landlord elects to terminate this Lease Tenant may elect to continue this Lease in full force and effect, in which case Tenant shall repair any damage to the Property and any building in which the Property is located. Tenant shall pay the cost of such repairs, except that upon satisfactory completion of such repairs, Landlord shall deliver to Tenant any insurance proceeds received by Landlord for the damage repaired by Tenant. Tenant shall give Landlord written notice of such election within ten (10) days after receiving Landlord's termination notice.

(c) If the damage to the Property occurs during the last six (6) months of the Lease Term and such damage will require more than thirty (30) days to repair, either Landlord or Tenant may elect to terminate this Lease as of the date the damage occurred, regardless of the sufficiency of any insurance proceeds. The party electing to terminate this Lease shall give written notification to the other party of such election within thirty (30) days after Tenant's notice to Landlord of the occurrence of the damage.

(d) See Rider #2.

Section 7.02. **Substantial or Total Destruction.** If the Property is substantially or totally destroyed by any cause whatsoever (i.e., the damage to the Property is greater than partial damage as described in Section 7.01), and regardless of whether Landlord receives any insurance proceeds, this Lease shall terminate as of the date the destruction occurred. Notwithstanding the preceding sentence, if the Property can be rebuilt within six (6) months after the date of destruction, Landlord may elect to rebuild the Property at Landlord's own expense, in which case this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within thirty (30) days after Tenant's notice of the occurrence of total or substantial destruction. If Landlord so elects, Landlord shall rebuild the Property at Landlord's sole expense, except that if the destruction was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

Section 7.03. **Temporary Reduction of Rent.** If the Property is destroyed or damaged and Landlord or Tenant repairs or restores the Property pursuant to the provisions of this Article Seven, any rent payable during the period of such damage, repair and/or restoration shall be reduced according to the degree, if any, to which Tenant's use of the Property is impaired. However, the reduction shall not exceed the sum of one year's payment of Base Rent, insurance premiums and real property taxes. Except for such possible reduction in Base Rent, insurance premiums and real property taxes, Tenant shall not be entitled to any compensation, reduction, or reimbursement from Landlord as a result of any damage, destruction, repair, or restoration of or to the Property.

Section 7.04. **Waiver.** Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the substantial or total destruction of the leased property. Tenant agrees that the provisions of Section 7.02 above shall govern the rights and obligations of Landlord and Tenant in the event of any substantial or total destruction to the Property.

ARTICLE EIGHT: **CONDEMNATION**

If all or any portion of the Property is taken under the power of eminent domain or sold under the threat of that power (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. If more than twenty percent (20%) of the floor area of the building in which the Property is located, or which is located on the Property, is taken, either Landlord or Tenant may terminate this Lease as of the date the condemning authority takes title or possession by delivering written notice to the other within ten (10) days after receipt of written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority takes title or possession). If neither Landlord nor Tenant terminates this Lease, this Lease shall remain in effect as to the portion of the Property not taken except that the Base Rent and Additional Rent shall be reduced in proportion to the reduction in the floor area of the Property Any Condemnation award or payment shall be distributed in the following order: (a) first, to any ground lessor, mortgagee or beneficiary under a deed of trust encumbering the Property, the amount of its interest in the Property; (b) second, to Tenant, only the amount of any award specifically designated for loss of or damage to Tenant's trade fixtures or removable personal property; and (c) third, to Landlord, the remainder of such award, whether as compensation for reduction in the value of the leasehold, the taking of the fee, or otherwise. If this Lease is not terminated, Landlord shall repair any damage to the Property caused by the Condemnation, except that Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority. If the severance damages received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to either terminate this Lease or make such repair at Landlord's expense. See Rider #2.

ARTICLE NINE: **ASSIGNMENT AND SUBLETTING**

Section 9.01. **Landlord's Consent Required.** No portion of the Property or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by sale, assignment, mortgage, sublease, transfer operation of law, or act of Tenant, without Landlord's prior written consent, which consent shall not be unreasonably withheld, except as provided in Section 9 02 below. Landlord has the right to grant or withhold its consent as provided in Section 9 05 below. Any attempted transfer without consent shall be void and shall constitute a non-curable breach of this Lease. If Tenant is a partnership, any cumulative transfer of more than twenty percent (20%) of the partnership interests shall require Landlord's consent. If Tenant is a corporation, any change in the ownership of a controlling interest of the voting stock of the corporation shall require Landlord's consent.,

Section 9.02. **Tenant Affiliate.** Tenant may assign this Lease or sublease the Property, without Landlord's consent, to any corporation which controls, is controlled by or is under common control with Tenant, or to any corporation resulting from the merger of or consolidation with Tenant ("Tenant's Affiliate"). In such case, any Tenant's Affiliate shall assume in writing all of Tenant's obligations under this Lease.

Section 9.03. **No Release of Tenant.** No transfer permitted by this Article Nine, whether with or without Landlord's consent, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Article Nine. Consent to one transfer is not a consent to any subsequent transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant's liability under this Lease.

Section 9.04. **Offer to Terminate.** If Tenant desires to assign the Lease or sublease the Property, Tenant shall have the right to offer, in writing, to terminate the Lease as of a date specified in the offer. If Landlord elects in writing to accept the offer to terminate within twenty (20) days after notice of the offer, the Lease shall terminate as of the date specified and all the terms and provisions of the Lease governing termination shall apply. If Landlord does not so elect, the Lease shall continue in effect until otherwise terminated and the provisions of Section 9 05 with respect to any proposed transfer shall continue to apply.

Section 9.05. **Landlord's Consent.**

(a) Tenant's request for consent to any transfer described in Section 9 01 shall set forth in writing the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e g., the term of and the rent and security deposit payable under any proposed assignment or sublease), and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, if reasonable, or to grant consent, based on the following factors: (i) the business of the proposed assignee or subtenant and the proposed use of the Property; (ii) the net worth and financial reputation of the proposed assignee or subtenant; (iii) Tenant's compliance with all of its obligations under the Lease; and (iv) such other factors as Landlord may reasonably deem relevant. If Landlord objects to a proposed assignment solely because of the net worth and/or financial reputation of the proposed assignee, Tenant may nonetheless sublease (but not assign), all or a portion of the Property to the proposed transferee, but only on the other terms of the proposed transfer.

(b) If Tenant assigns or subleases, the following shall apply:

(i) Tenant shall pay to Landlord as Additional Rent under the Lease the Landlord's Share (stated in Section 1.13) of the Profit (defined below) on such transaction as and when received by Tenant, unless Landlord gives written notice to Tenant and the assignee or subtenant that Landlord's Share shall be paid by the assignee or subtenant to Landlord directly. The "Profit" means (A) all amounts paid to Tenant for such assignment or sublease, including "key" money, monthly rent in excess of the monthly rent payable under the Lease, and all fees and other consideration paid for the assignment or sublease, including fees under any collateral agreements, less (B) costs and expenses directly incurred by Tenant in connection with the execution and performance of such assignment or sublease for real estate broker's commissions and costs of renovation or construction of tenant improvements required under such assignment or sublease. Tenant is entitled to recover such costs and expenses before Tenant is obligated to pay the Landlord's Share to Landlord. The Profit in the case of a sublease of less than all the Property is the rent allocable to the subleased space as a percentage on a square footage basis.

(ii) Tenant shall provide Landlord a written statement certifying all amounts to be paid from any assignment or sublease of the Property within thirty (30) days after the transaction documentation is signed, and Landlord may inspect Tenant's books and records to verify the accuracy of such statement. On written request Tenant shall promptly furnish to Landlord copies of all the transaction documentation, all of which shall be certified by Tenant to be complete, true and correct. Landlord's receipt of Landlord's Share shall not be a consent to any further assignment or subletting. The breach of Tenant's obligation under this Paragraph 9.05(b) shall be a material default of the Lease.

Section 9.06. **No Merger.** No merger shall result from Tenant's sublease of the Property under this Article Nine, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest of Tenant as sublandlord under any or all subtenancies.

ARTICLE TEN: **DEFAULTS; REMEDIES**

Section l0.01. **Covenants and Conditions.** Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as a covenant Tenant's right to continue in possession of the Property is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

Section 10.02. **Defaults.** Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Property or if Tenant's vacation of the Property results in the cancellation of any insurance described in Section 4.04;

(b) If Tenant fails to pay rent or any other charge when due;

(c) If Tenant fails to perform any of Tenant's non-monetary obligations under this Lease for a period of thirty (30) days after written notice from Landlord; provided that if more than thirty (30) days are required to complete such performance. Tenant shall not be in default if Tenant commences such performance within the thirty (30) -day period and thereafter diligently pursues its completion. However, Landlord shall not be required to give such notice if Tenant's failure to perform constitutes a non-curable breach of this Lease. The notice required by this Paragraph is intended to satisfy any and all notice requirements imposed by law on Landlord and is not in addition to any such requirement.

(d) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within thirty (30) days; (iii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Property or of Tenant's interest in this Lease and possession is not restored to Tenant within thirty (30) days; or (iv) if substantially all of Tenant's assets located at the Property or of Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within thirty (30) days. If a court of competent jurisdiction determines that any of the acts described in this subparagraph (d) is not a default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive, as Additional Rent, the excess, if any, of the rent (or any other consideration) paid in connection with such assignment or sublease over the rent payable by Tenant under this Lease.

(e) If any guarantor of the Lease revokes or otherwise terminates, or purports to revoke or otherwise terminate, any guaranty of all or any portion of Tenant's obligations under the Lease Unless otherwise expressly provided, no guaranty of the Lease is revocable.

Section 10.03. **Remedies.** On the occurrence of any material default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate Tenant's right to possession of the Property by any lawful means in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Property to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including (i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which Landlord had earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Landlord would have earned after termination until

the time of the award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Tenant would have paid for the balance of the Lease term after the time of award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses Landlord incurs in maintaining or preserving the Property after such default, the cost of recovering possession of the Property, expenses of reletting, including necessary renovation or alteration of the Property, Landlord's reasonable attorneys' fees incurred in connection therewith, and any real estate commission paid or payable. As used in subparts (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of fifteen percent (15%) per annum, or such lesser amount as may then be the maximum lawful rate. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%). If Tenant has abandoned the Property, Landlord shall have the option of (i) retaking possession of the Property and recovering from Tenant the amount specified in this Paragraph 10.03(a), or (ii) proceeding under Paragraph 10.03(b);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Property. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due;

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Property is located.

Section 10.04. **Repayment of "Free" Rent.** If this Lease provides for a postponement of any monthly rental payments, a period of "free" rent or other rent concession, such postponed rent or "free" rent is called the "Abated Rent". Tenant shall be credited with having paid all of the Abated Rent on the expiration of the Lease Term only if Tenant has fully, faithfully, and punctually performed all of Tenant's obligations hereunder, including the payment of all rent (other than the Abated Rent) and all other monetary obligations and the surrender of the Property in the physical condition required by this Lease. Tenant acknowledges that its right to receive credit for the Abated Rent is absolutely conditioned upon Tenant's full, faithful and punctual performance of its obligations under this Lease. If Tenant defaults and does not cure within any applicable grace period, the Abated Rent shall immediately become due and payable in full and this Lease shall be enforced as if there were no such rent abatement or other rent concession. In such case Abated Rent shall be calculated based on the full initial rent payable under this Lease.

Section 10.05. **Automatic Termination.** Notwithstanding any other term or provision hereof to the contrary, the Lease shall terminate on the occurrence of any act which affirms the Landlord's intention to terminate the Lease as provided in Section 10.03 hereof, including the filing of an unlawful detainer action against Tenant. On such termination, Landlord's damages for default shall include all costs and fees, including reasonable attorneys' fees that Landlord incurs in connection with the filing, commencement, pursuing and/or defending of any action in any

bankruptcy court or other court with respect to the Lease; the obtaining of relief from any stay in bankruptcy restraining any action to evict Tenant; or the pursuing of any action with respect to Landlord's right to possession of the Property. All such damages suffered (apart from Base Rent and other rent payable hereunder) shall constitute pecuniary damages which must be reimbursed to Landlord prior to assumption of the Lease by Tenant or any successor to Tenant in any bankruptcy or other proceeding.

Section 10.06. **Cumulative Remedies.** Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

ARTICLE ELEVEN: **PROTECTION OF LENDERS**

Section 11.01. **Subordination.** Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Property, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. Tenant shall cooperate with Landlord and any lender which is acquiring a security interest in the Property or the Lease. Tenant shall execute such further documents and assurances as such lender may require, provided that Tenant's obligations under this Lease shall not be increased in any material way (the performance of ministerial acts shall not be deemed material), and Tenant shall not be deprived of its rights under this Lease. Tenant's right to quiet possession of the Property during the Lease Term shall not be disturbed if Tenant pays the rent and performs all of Tenant's obligations under this Lease and is not otherwise in default If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage whether this Lease is dated prior or subsequent to the date of said ground lease, deed of trust or mortgage or the date of recording thereof.

Section 11.02. **Attornment.** If Landlord's interest in the Property is acquired by any ground lessor, beneficiary under a deed of trust, mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Property and recognize such transferee or successor as Landlord under this Lease. Tenant waives the protection of any statute or rule of law which gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Property upon the transfer of Landlord's interest.

Section 11.03. **Signing of Documents.** Tenant shall sign and deliver any instrument or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. If Tenant fails to do so within ten (10) days after written request, Tenant hereby makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of Tenant to execute and deliver any such instrument or document.

Section 11.04. **Estoppel Certificates.**

(a) Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been cancelled or terminated; (iii) the last date of payment of the Base Rent and

other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other representations or information with respect to Tenant or the Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Property may require Tenant shall deliver such statement to Landlord within ten (10) days after Landlord's request. Landlord may give any such statement by Tenant to any prospective purchaser or encumbrancer of the Property. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

(b) If Tenant does not deliver such statement to Landlord within such ten (10) -day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been cancelled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

Section 11.05 **Tenant's Financial Condition.** Within ten (10) days after written request from Landlord, Tenant shall deliver to Landlord such financial statements as Landlord reasonably requires to verify the net worth of Tenant or any assignee, subtenant, or guarantor of Tenant. In addition, Tenant shall deliver to any lender designated by Landlord any financial statements required by such lender to facilitate the financing or refinancing of the Property. Tenant represents and warrants to Landlord that each such financial statement is a true and accurate statement as of the date of such statement. All financial statements shall be confidential and shall be used only for the purposes set forth in this Lease.

ARIICLE TWELVE: **LEGAL COSTS**

Section 12.01 **Legal Proceedings.** Tenant shall indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability Landlord may incur if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant against any third party, or by any third party against Tenant, or by or against any person holding any interest under or using the Property by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs Landlord incurs in any such claim or action.

Section 12.02. **Landlord's Consent.** Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with Tenant's request for Landlord's consent under Article Nine (Assignment and Subletting), or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

ARTICLE THIRTEEN: **MISCELLANEOUS PROVISIONS**

Section 13.01 **Non-Discrimination.** Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group of persons on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure or use of the Property or any portion thereof.

Section 13 02. **Landlord's Liability; Certain Duties.**

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Property or the leasehold estate under a ground lease of the Property at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds that Tenant previously paid if such funds have not yet been applied under the terms of this Lease.

(b) Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor; mortgagee or beneficiary under any deed of trust encumbering the Property whose name and address have been furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such non-performance within thirty (30) days after receipt of Tenant's notice. However, if such non-performance reasonably requires more than thirty (30) days to cure, Landlord shall not be in default if such cure is commenced within such thirty (30) -day period and thereafter diligently pursued to completion.

(c) Notwithstanding any term or provision herein to the contrary, the liability of Landlord for the performance of its duties and obligations under this Lease is limited to Landlord's interest in the Property, and neither the Landlord nor its partners, shareholders, officers or other principals shall have any personal liability under this Lease.

Section 13.03. **Severability.** A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

Section 13.04. **Interpretation.** The captions of the Articles or Sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Property with Tenant's expressed or implied permission.

Section 13.05. **Incorporation of Prior Agreements; Modifications.** This Lease is the only agreement between the parties pertaining to the lease of the Property and no other agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

Section 13.06. **Notices.** All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to the address specified in Section 1.03 above, except that upon Tenant's taking possession of the Property, the Property shall be Tenant's address for notice purposes. Notices to Landlord shall be delivered to the address specified in Section 1.02 above. All notices shall be effective upon delivery. Either party may change its notice address upon written notice to the other party.

Section 13.07. **Waivers.** All waivers must be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

Section 13.08. **No Recordation.** Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "Short Form" memorandum of this Lease executed by both parties be recorded. The party requiring such recording shall pay all transfer taxes and recording fees.

Section 13.09. **Binding Effect; Choice of Law.** This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the state in which the Property is located shall govern this Lease.

Section 13.10. **Corporate Authority; Partnership Authority.** If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that he has full authority to do so and that this Lease binds the corporation. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a certified copy of a resolution of Tenant's Board of Directors authorizing the execution of this Lease or other evidence of such authority reasonably acceptable to Landlord. If Tenant is a partnership, each person or entity signing this Lease for Tenant represents and warrants that he or it is a general partner of the partnership, that he or it has full authority to sign for the partnership and that this Lease binds the partnership and all general partners of the partnership. Tenant shall give written notice to Landlord of any general partner's withdrawal or addition. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a copy of Tenant's recorded statement of partnership or certificate of limited partnership.

Section 13.11. **Joint and Several Liability.** All parties signing this Lease as Tenant shall be jointly and severally liable for all obligations of Tenant.

Section 13.12. **Force Majeure.** If Landlord cannot perform any of its obligations due to events beyond Landlord's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

Section 13.13. **Execution of Lease.** This Lease may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument. Landlord's delivery of this Lease to Tenant shall not be deemed to be an offer to lease and shall not be binding upon either party until executed and delivered by both parties.

Section 13.14. **Survival.** All representations and warranties of Landlord and Tenant shall survive the termination of this Lease.

ADDITIONAL PROVISIONS MAY BE SET FORTH IN A RIDER OR RIDERS ATTACHED HERETO OR IN THE BLANK SPACE BELOW IF NO ADDITIONAL PROVISONS ARE INSERTED, PLEASE DRAW A LINE THROUGH HE SPACE BELOW.

Rider #1	Option to Purchase
Rider #2	Miscellaneous Provisions
Exhibit A	
Exhibit B	
Exhibit C	

Landlord and Tenant have signed this Lease at the place and on the dates specified adjacent to their signatures below and have initialled all Riders which are attached to or incorporated by reference in this Lease.

"LANDLORD"

Signed as of November 8, 2000

at Cleveland, Ohio

Pagoda Partners LLC,

an Ohio limited liability company

Witness:

By: /s/ John P. Reed
John P. Reed
Its: Manager

By: /s/ Charles L. Smythe, Jr.
Charles L. Smythe, Jr.
Its: Manager

"TENANT"

Signed as of November 8, 2000

at Cleveland, Ohio

Homeworks, Inc.,

an Ohio corporation

Witness:

By: /s/ John P. Reed
John P. Reed
Its: President

By:

Its:

IN ANY REAL ESTATE TRANSACTION, IT IS RECOMMENDED THAT YOU CONSULT WITH A PROFESSIONAL, SUCH AS A CIVIL ENGINEER, INDUSTRIAL HYGIENIST OR OTHER PERSON WITH EXPERIENCE IN EVALUATING THE CONDITION OF THE PROPERTY, INCLUDING THE POSSIBLE PRESENCE OF ASBESTOS, HAZARDOUS MATERIALS AND UNDERGROUND STORAGE TANKS.

THIS PRINTED FORM LEASE HAS BEEN DRAFTED BY LEGAL COUNSEL AT THE DIRECTION OF THE SOUTHERN CALIFORNIA CHAPTER OF THE SOCIETY OF INDUSTRIAL AND OFFICE REALTORS,® INC. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE SOUTHERN CALIFORNIA CHAPTER OF THE SOCIETY OF INDUSTRIAL AND OFFICE REALTORS,® INC., ITS LEGAL COUNSEL, THE REAL ESTATE BROKERS NAMED HEREIN, OR THEIR EMPLOYEES OR AGENTS, AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT OR TAX CONSEQUENCES OF THIS LEASE OR OF THIS TRANSACTION. LANDLORD AND TENANT SHOULD RETAIN LEGAL COUNSEL TO ADVISE THEM ON SUCH MATTERS AND SHOULD RELY UPON THE ADVICE OF SUCH LEGAL COUNSEL

OPTION TO PURCHASE PROPERTY
LEASE RIDER

RIDER #1

This Rider is attached to and made part of that certain Lease (the "Lease") dated November 8, 2000, between Pagoda Partners LLC, an Ohio limited liability company, as Landlord, and Homeworks, Inc., an Ohio corporation, as Tenant, covering the Property commonly known as 7700 Northfield Road, Walton Hills, Ohio 44146 (the "Property"). The terms used in this Rider shall have the same meanings as in the Lease. This Rider shall supersede any inconsistent or conflicting provisions of the Lease

A. **Grant and Exercise of Option**

Landlord hereby grants to Tenant the sole and exclusive right and option (the "Option") to purchase the Property, together with all real property improvements located thereon (except as otherwise provided in any attached exhibit), at the price and on the terms and conditions set forth below. To exercise the Option, Tenant shall deliver written notice (the "Notice of Exercise") to Landlord not earlier than 210 days nor later than 150 days prior to the date of Closing set forth in Paragraph B(6) (the "Notice Period"). If the Notice of Exercise is not given during the Notice Period, the Option shall lapse and Tenant shall have no further rights under this Rider.

B. **Summary of Basic Terms of Option To Purchase Property**

This Paragraph B contains the Basic Terms concerning the Option These Basic Terms are to be read together with the remainder of this Rider:

1. Purchase Price ("Purchase Price") for the Property on exercise of the Option:100% of the Fair Market Value as determined by appraisal as provided in Paragraph D below, but shall not be less than the minimum price ("the "Minimum Price") of (continued on Paragraph K).

2. Amount of the Deposit to be delivered upon exercise of the Option pursuant to Paragraph C(1). One Hundred Thousand and no/100 Dollars ($100,000.00). The Deposit shall be credited against any cash payable pursuant to Paragraph B(3)

3. Payment of Purchase Price:

The Purchase Price shall be paid as indicated below (check appropriate boxes and fill in appropriate blanks):

X (a) Purchase is to be payable all cash

4. Name and address of the escrow company through which the purchase and sale of the Property is to be closed:

To be selected by Landlord.

5. Name and address of the Title Company to issue the Title Policy on the Closing:

To be selected by Landlord.

6. Date of Closing. Not before the date at least 50% of the Landlord's principal mortgage indebtedness (originally totally approximately $4,400,000) has been paid in full, but not later than October 31, 2017 (and not later than October 31, 2022, if the option to extend is exercised).

C. **Conditions to The Exercise of The Option**

The following are conditions to the obligation of Landlord to sell the Property to Tenant. If any of the following conditions are not satisfied, Landlord shall have no obligation to sell the Property to Tenant, whether or not Tenant exercises the Option.

1. Tenant shall deliver to Landlord, together with the Notice of Exercise, a cashier's or certified check, payable to Escrow, in the amount of the Deposit. The Deposit shall be credited to the Purchase Price on the Closing.

2. The Lease shall be in full force and effect and Tenant shall not be in default under the Lease at the time of the exercise of the Option or at any time thereafter.

3. The Option is personal to the Tenant named in the Lease (or any Tenant's Affiliate). The Option may not be exercised if (a) Tenant or a Tenant's Affiliate does not occupy at least fifty (50%) percent of the Property during the entire Lease Term; (b) Tenant has subleased more than fifty (50%) percent of the area of the Property during any part of the Lease Term to an entity other than a Tenant's Affiliate; or (c) Tenant has assigned or otherwise transferred its interest under this Lease to an entity other than a Tenant's Affiliate. The Option shall not be severable from the Leasehold estate created under the Lease

D. **Computation of Purchase Price if Price Not Stated**

If the Purchase Price is not stated in Paragraph B(1) above, then the Purchase Price shall be the "fair market value" of the Property, determined as follows:

1. Promptly after Landlord's receipt of the Notice of Exercise, Landlord and Tenant shall meet in an effort to negotiate, in good faith, the fair market value of the Property as of the expiration of the Lease Term, If Landlord and Tenant have not agreed upon such fair market value within 30 days after the Notice of Exercise, then Landlord and Tenant shall attempt to agree in good faith upon a single appraiser not later than 40 days after the Notice of Exercise, If Landlord and Tenant are unable to agree upon a single appraiser within such time period, then Landlord and Tenant shall each appoint one appraiser not later than 50 days after the Notice of Exercise, Within 10 days after the appointment of such appraisers, the two appointed appraisers shall appoint a third appraiser. If either Landlord or Tenant fails to appoint its appraiser within the prescribed time period, the single appraiser appointed shall determine the fair market value of the Property. If any party fails to appoint an appraiser within the prescribed time period. then the first appraiser thereafter appointed by a party shall determine the fair market value of the Property Each party shall bear the cost of its own appraiser, and the parties shall bear equally the cost of the third or single appraiser All appraisers shall be independent, shall have at least five years' experience in the appraisal of commercial/industrial real property substantially similar to the Property, and shall be members of professional organizations such as MAI or equivalent.

2. For the purpose of such appraisal, the term ‘fair market value” shall mean the price that a ready and willing buyer would pay to a ready and willing seller of the Property, as of the date of the appraisal, if the Property were exposed for sale on the open market for a reasonable period of time, taking into account all purposes for which the Property may be used and as if the Property were not encumbered by the Lease or any other actually existing tenant leases. If three appraisals are submitted, the fair market value of the Property shall be the arithmetic average of the two appraisals closest in value to each other and the third appraisal shall be disregarded. Otherwise, the appraisal of the single appraiser so appointed shall be conclusive and binding on both Landlord and Tenant If the appraisers determine that the fair market value of the Property is less than the Minimum Price, then the Purchase Price shall be the Minimum Price in Paragraph B(1) Landlord and Tenant shall instruct the appraisers to complete the determination of fair market value within 60 days after appointment of such appraisers When the fair market value of the Property has been determined, Landlord shall deliver notice thereof to Tenant. If the fair market value of the Property is not determined in accordance with the time schedule set forth above, the date of Closing shall be postponed to the date which is 20 days after the final determination of fair market value.

F. **Escrow**

1. Within ten (10) days after receipt of the Notice of Exercise, Landlord and Tenant shall deliver into Escrow (or to such other escrow company acceptable to both Landlord and Tenant) executed counterparts of this Option and such other supplemental escrow instructions as are customarily and reasonably required by the Escrow Agent, which shall be the escrow instructions for the closing of the purchase and sale contemplated hereunder. Landlord shall deliver the Deposit to Escrow Agent upon opening of Escrow

2. Promptly upon the opening of Escrow, the Escrow Agent shall order and deliver to Landlord and Tenant a preliminary title report (the “PTR”) for the Property, together with copies of all instruments referred to in the PTR, from the Title Company. The PTR shall be conclusively deemed approved by Tenant unless, within ten (10) days after the delivery of the PTR and the last of the instruments referred to therein, Tenant has disapproved any matter set forth in the PTR by written notice to Landlord and the Title Company. If Tenant disapproves any such matter within the ten (10) day period, Landlord may agree to remove such disapproved title exception within 45 days after receipt of Tenant’s notice of disapproval. If Landlord has not agreed in writing within such 45 day period to remove such disapproved title exception, Tenant may, by written notice to Landlord and Escrow Agent, given within ten (10) days after the expiration of such 45 day period, either (a) terminate Escrow or (b) waive such defect and proceed with the purchase and sale contemplated hereunder. If Tenant fails to give such notice within the prescribed period, Tenant shall be conclusively deemed to have waived such defect and to have elected to proceed with the purchase and sale of the Property. If Tenant elects to terminate Escrow, the Escrow shall return the Deposit to Tenant, less any escrow fees, title fees, Landlord’s appraisal fees, or any other costs incurred by Landlord in connection with Tenant’s exercise of the Option If Tenant elects to proceed, Tenant shall be conclusively deemed to have approved the PTR subject to the removal of any disapproved title exception which Landlord has agreed to remove, and shall take title to the Property in the condition described in the PTR. Once Tenant has approved or been deemed to have approved the PTR, Landlord shall, at its cost, remove any exceptions to title thereafter appearing of record, other than those which were created or permitted by Tenant In any event, Landlord shall cause any liens covering the Property securing monetary obligations to be released or reconveyed from the Property, if under this Rider, title is to be conveyed free of any such lien.

3. Except as otherwise provided in the approved PTR Tenant acknowledges that Tenant accepts the Property AS IS" in its physical condition existing at the Closing Tenant acknowledges that neither Landlord nor its employees or agents has made any representations or warranties to Tenant regarding the Property, except as specifically set forth in the lease and only to the extent that any such representations or warranties still exist as of the date of Closing.

G. **Closing**

The close of Escrow (the "Closing") shall take place on or before the 180th day after Landlord's receipt of the Notice of Exercise but in no event later than the last date specified in Paragraph B(6). Title to the Property shall be conveyed to Tenant at the Closing, and the Closing shall be accomplished as follows:

1. The Purchase Price shall be paid by Tenant through Escrow in the manner provided in Paragraph B(2) All funds required to be paid by Tenant at the Closing shall be deposited in Escrow by Tenant in the form of a cashier's check drawn on, or wire transfer from, a bank doing business in the county in which the Property is located, not later than the day prior to the day set for the Closing.

2. Unless otherwise indicated by Tenant in writing to Landlord and Escrow, the Lease shall terminate as of Closing

3 If the Lease is a gross lease, then real property taxes, insurance premiums and rents shall be prorated as of Closing Real Property taxes shall be prorated based upon the latest available tax bill. If the Lease is a net lease, then only rents shall be prorated as of the Closing. Any unused security deposit held by Landlord under the Lease shall be credited to the Purchase Price. Landlord shall pay all documentary transfer taxes required as a result of the sale Except as provided in Paragraph (4) below, Landlord and Tenant shall pay equally all escrow costs All other costs shall be borne by Landlord and Tenant in accordance with the standard practices of the county in which the Property is located, except as otherwise stated herein

4. Landlord shall provide to Tenant, at Landlord's expense, a standard coverage owner's policy of title insurance insuring title to the Property in Tenant in an amount equal to the Purchase Price, subject to all matters set forth in the approved PTR, and any other title exceptions created or permitted by Tenant. The parties shall execute such other documents as are reasonably requested by Escrow in order to complete the purchase of the Property as provided by this Rider

5. If a real estate commission has been earned by Landlord's Broker by reason of the exercise of the Option, such commission Shall be paid to Landlord's Broker at the Closing out of the funds otherwise payable to Landlord. Landlord shall instruct Escrow to pay the commission directly to Landlord's Broker from the funds in Escrow

H. **Exchange**

Notwithstanding the date of Closing set forth in Paragraph B(6) above, Landlord shall have the right to delay Closing for up to 180 days to accomplish a tax-deferred exchange of real property pursuant to Internal Revenue Code Section 1031. If Landlord elects to accomplish such exchange, Tenant shall cooperate with Landlord, as long as Tenant shall not be liable for any cash consideration or expense greater than that which Tenant would have incurred had Tenant purchased the Property by a direct sale from Landlord at the Purchase Price All such additional expenses and consideration shall be paid by Landlord. If an exchange transaction is established which requires cash consideration less than required pursuant to Paragraph B(3) above, the balance of the Purchase Price shall be payable by Tenant to Landlord through Escrow as provided herein, If landlord fails to complete such exchange within such extended time period, the Escrow shall close as a direct sale by Landlord to Tenant under the terms set forth in Paragraph B(2) above.

NOTE: THIS FORM DOES. NOT COVER THE TAX EFFECTS UPON EITHER LANDLORD OR TENANT RESULTING FROM ANY TAX-DEFERRED EXCHANGE THE PARTIES SHOULD CONSULT THEIR PERSONAL TAX ADVISORS REGARDING SUCH TAX CONSEQUENCES.

I. **Breach of Agreement; Liquidated Damages**

If Tenant breaches any agreement contained in this Option or defaults in its obligations to close Escrow, Landlord may either (1) be released from all obligations to sell the Property to Tenant or (2) proceed against Tenant upon any claim or remedy which Landlord may have at law or in equity; provided however, that, BY PLACING THEIR INITIALS HERE, TENANT _____ AND LANDLORD _____ AGREE THAT LANDLORD SHALL HAVE THE RIGHT TO RETAIN THE LESSER OF THE DEPOSIT DESCRIBED IN PARAGRAPH 13(2) OR 3% OF THE PURCHASE PRICE, AS LIQUIDATED DAMAGES. THE BALANCE OF THE DEPOSIT, IF ANY, SHALL BE PROMPTLY RETURNED TO TENANT (LESS ANY ESCROW FEES, TITLE FEES, APPRAISAL FEES, ATTORNEY FEES, OR OTHER COSTS INCURRED BY LANDLORD IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREUNDER). BY PLACING THEIR INITIALS ABOVE, LANDLORD AND TENANT AGREE THAT THE DAMAGES TO LANDLORD RESULTING FROM TENANT'S DEFAULT ARE DIFFICULT AND IMPRACTICAL TO ASCERTAIN, THAT THE LIQUIDATED DAMAGES SPECIFIED HEREIN ARE A REASONABLE ESTIMATE OF LANDLORD'S DAMAGES IN SUCH EVENT, AND THAT THE RETENTION OF SUCH LIQUIDATED DAMAGES AND THE OTHER DIRECT COSTS DESCRIBED ABOVE SHALL CONSTITUTE LANDLORD'S SOLE AND EXCLUSIVE REMEDY FOR SUCH BREACH

J. **Closing After lease Expiration**

If, for any reason, Closing occurs after the expiration of the Lease Term, Tenant shall be deemed to be a holdover tenant at the monthly rent payable as of the last month of the stated Lease Term (notwithstanding any contradictory provisions of the Lease), and all obligations of Tenant hereunder shall continue in full force and effect until Closing (or until either party fails to fulfill its obligations set forth herein, in which case this Lease shall become a month-to-month tenancy terminable by the non-defaulting party upon 30 days' prior written notice to the other).

K. **Other Provisions**

Environmental Report - Since a Phase I Environmental report was completed and furnished to Tenant prior to the commencement of the Lease to which this Option to Purchase is attached, Landlord shall not be required' to furnish further EPA reports as condition of purchase.

Paragraph B 1 (continued) not less than the original acquisition costs of the Property and costs of improvements to the Property incurred by, Landlord, including without limitation all closing costs, mortgage loan fees and points, title insurance costs, and recording and legal fees and expenses.

Pagoda Partners LLC,

an Ohio limited liability company

By: /s/ John P. Reed
John P. Reed
Its: Manager

By: /s/ Charles L. Smythe, Jr.
Charles L. Smythe, Jr.
Its: Manager

"LANDLORD"

Homeworks, Inc.,

an Ohio corporation

By: /s/ John P. Reed
John P. Reed
Its: President

By: _____

Its: _____

"TENANT"

THIS RIDER HAS BEEN DRAFTED BY LEGAL COUNSEL AT THE DIRECTION OF THE SOUTHERN CALIFORNIA CHAPTER OF THE SOCIETY OF INDUSTRIAL REALTORS? INC, NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE SOUTHERN CALIFORNIA CHAPTER OF THE SOCIETY OF INDUSTRIAL REALTORS® INC., ITS LEGAL COUNSEL. ANY REAL ESTATE BROKER NAMED IN THE LEASE TO WHICH THIS RIDER IS ATTACHED. OR THEIR EMPLOYEES OR AGENTS, AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS RIDER OR OF THIS TRANSACTION. ALL REAL PROPERTY PURCHASE TRANSACTIONS ARE COMPLICATED. THIS RIDER HAS BEEN PREPARED ONLY FOR RELATIVELY STANDARD TRANSACTIONS AND SHOULD NOT BE USED IN ALL SITUATIONS. LANDLORD AND TENANT SHOULD RETAIN LEGAL COUNSEL TO ADVISE THEM ON SUCH MATTERS AND SHOULD RELY UPON THE ADVICE OF SUCH COUNSEL

Rider 2

MISCELLANEOUS PROVISIONS

This Rider 2 is attached and made a part of that certain Industrial Real Estate Lease (Single-Tenant Facility), dated November 8, 2000 (the "Lease"), by and between Pagoda Partners LLC, an Ohio limited liability company ("Landlord"), and Homeworks, Inc., an Ohio corporation ("Tenant") Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Lease. The provisions of this Rider shall prevail over any inconsistent or conflicting provisions of the Lease.

Addendum to Sec. 4.02. Property Taxes.

Addendum to Sec. 4.02(a): The amount of real property taxes which Tenant pays covering any period of time prior to the Lease Term (the "Excess Payment") shall be reimbursed by Landlord upon expiration or earlier termination of the Lease Term as follows: the Excess Payment shall be set off against the amount of real property taxes attributable to the Lease Term but not due and payable until after expiration or termination of the Lease Term Any remaining Excess Payment forthwith shall be paid by Landlord to Tenant and any deficiency in the Excess Payment compared to such real property taxes forthwith shall be paid by Tenant to Landlord

Addendum to Sec. 4.04. Insurance Policies.

Addendum to Sec. 4.04(d):

Addendum to Sec. 4 04(d)(v): All insurance maintained by Tenant hereunder shall, at the request of Landlord, also inure to the benefit of any holder of any mortgage encumbering the Landlord's interest in the Property. Without limiting the generality of the foregoing, such holder shall be named as an insured wherever Landlord is entitled to be named as an insured and such holder shall be entitled to the same advance notice of cancellation or modification of such insurance as Landlord is entitled

Sec. 6.05. Alterations, Additions, and Improvements.

New Sec. 6.05(c): Tenant agrees not to suffer any mechanics' or materialmens' liens to be filed against the Property by reason of any work, labor, services or materials performed or furnished to the Property by any person whomsoever-during the Lease Term, whether for Tenant, any contractor, subcontractor, or agent of Tenant, or anyone holding the Property by, from, through, or under Tenant. If any such lien shall at any time be filed against the Property, Tenant shall forthwith cause the same to be discharged of record by payment, bond, order of a court of competent, jurisdiction or otherwise. Provided Tenant complies with the foregoing removal or bonding requirements, Tenant shall have the right to contest such liens. If Tenant shall fail to cause any such lien to be discharged within 30 days after being notified of the filing thereof and before judgment or sale thereunder, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same by paying the amount claimed to be due or by bonding or other proceeding.

New Sec. 6.,05(d): Landlord has agreed to expand the building included within the Property with a 66,987 square foot addition, more fully described in Exhibit C attached hereto (the "Addition"), with construction to commence in 2001 within 30 days after Tenant advises Landlord in writing that Tenant elects to proceed with the Addition. With the construction of the Addition, Base Rent will be adjusted in accordance with Exhibit B attached hereto.

Sec. 7.01. Partial Damage to Property.

New Sec. 7.01(d): In the event the holder of any mortgage encumbering Landlord's interest in the Property requires the proceeds of insurance to be applied to the mortgage indebtedness, then, for all purposes of Article Seven of the Lease, Landlord shall not be deemed to have received such insurance proceeds.

Article Eight: Condemnation.

Addendum to Article Eight: In the event the holder of any mortgage encumbering Landlord's interest in the Property requires the proceeds of any Condemnation to be applied to the mortgage indebtedness, then, for all purposes of Article Eight of the Lease, Landlord shall not be deemed to have received such the payment of any proceeds or award for such Condemnation.

Article Fifteen: Option to Renew.

New Sec. 15.01: Tenant is hereby granted the right and option to extend the Lease Term for one additional period of five years on the same terms and conditions as provided in the initial Lease Term, except for Base Rent which shall be increased based on the CPI in accordance with Section 3.02 during the extended term, except for this Option to Renew, except for provisions pertaining to the construction of improvements, and except as otherwise may be set forth in the Lease. Tenant may exercise the aforesaid option only (a) if Tenant is not, and has not for the preceding 60 days been, in default of any of the terms and conditions of this Lease and (b) by giving Landlord written notice of exercise of such option not less than 180 days prior to expiration of the initial Lease Term

Article Sixteen: Net Lease,

New Sec. 16.01. It is the intention of the parties that this shall be a "net" Lease, and that Landlord shall receive the Base Rent herein reserved and Additional Rent, free from all taxes, charges, impositions, expenses, maintenance, repair and/or replacement costs, damages and deductions of every nature and description. Including, but without limitation to the foregoing, Tenant shall indemnify and save landlord harmless of any sales or use taxes, if any, imposed by State law or City or County ordinance upon the rentals to be paid herein or upon the sale or transfer of the Property but nothing in this Lease shall require Tenant to pay any estate, inheritance, succession or transfer tax or tax of a similar nature payable on account of Landlord's ownership of the Property or any income tax or tax of a similar nature that may be payable by Landlord under any existing or future tax law of the United States or the State of Ohio or any authorities therein on account of the transfer of Landlords interest in the premises to transferee, or on account of the receipt by Landlord of the rents herein reserved.

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 7th day of November, 2000, by John P. Reed, a Manager of PAGODA PARTNERS, LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL)

/s/ Kathleen Taylor
Notary Public

My commission expires:

_____

_____

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 7th day of November, 2000, by Charles L. Smythe, Jr., a Manager of PAGODA PARTNERS, LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL)

/s/ Kathleen Taylor
Notary Public

My commission expires:

_____

_____

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 7th day of November, 2000, by John P. Reed, President of HOMEWORKS, IN., an Ohio corporation, on behalf of the limited liability company.

(SEAL)

/s/ Kathleen Taylor
Notary Public

My commission expires:

_____

_____

AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE

THIS AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE is dated as of the 22nd day of September, 2004, by and between PAGODA PARTNERS LLC, an Ohio limited liability company, having an address of 1801 E. Ninth Street, Suite 1600, Cleveland, Ohio 44114-3103 ("Landlord"), and HOMEWORKS, INC, an Ohio corporation, having an address of 7700 Northfield Road, Walton Hills, Ohio 44146 ("Tenant").

RECITALS

A. Landlord and Tenant have entered into a certain Industrial Real Estate Lease, dated November 8, 2000 (the "Lease"), with respect to premises (the "Property") known as 7700 Northfield Road, Walton Hills, Ohio, being approximately 55,520 square feet of building located on approximately 15.5518 acres of land as more fully described in Exhibit A to the Lease.

B. Pursuant to Section 6.05(d) of the Lease, Landlord has expanded the building included within the Property with a 66,987 square foot addition as described in Exhibit C to the Lease.

C. At the request of Tenant, Landlord has purchased land described in Exhibit A-1 attached to this Amendment (the "Additional Land") adjoining the Property and has agreed to further expand the building included within the Property with an addition of approximately 113,402 square feet (the "Second Addition").

D. In connection with the Lease, Landlord and Tenant entered into a Memorandum of Lease dated November 8, 2000, which was filed for record with the Cuyahoga County Recorder on November 8, 2000, as Instrument No . 200011080105 (the "Memorandum of Lease").

E. The parties desire to amend the Lease to provide for adding the Additional Land and the Second Addition to the terms and conditions of the Lease and to extend the term.

NOW THEREFORE, for good and valuable consideration, the Landlord and Tenant hereto agree as follows:

1. The Lease is amended as follows:

(a) Section 1.04 to the Lease is replaced with the following:

"Section 1.04. **Property:** (include street address, approximate square footage and description) 7700 Northfield Road, Walton Hills, Ohio 44146 being approximately 55,520 square feet of building with a 66,987 square foot addition located on approximately 15.5518 acres of land (more fully described in Exhibit A attached hereto) and additional land of approximately 1.0 acres (more fully described in Exhibit A-1 attached hereto).

The Property, including the additional land is more fully described on Exhibit A-2 attached hereto. On the Second Addition Rent Commencement Date (as hereinafter defined), of the Second Addition as contemplated by Section 6.05(e), will be included as part of the Property."

(b) Section 1.05 to the Lease is replaced with the following:

"Section 1.05. **Lease Term:** 19 years –6– months **beginning on** November 8, 2000, or such other date as is specified in this Lease, and **ending on** April 30, 2020 Five Year Renewal."

(c) The following new Section 6.05(e) is added to the Lease:

"New Section 6.05(e): Landlord has agreed to expand the building included within the Property with an approximate 113,402 square foot addition (the "Second Addition" or "Phase III"). Base Rent For Phase III shall commence on the date the warehouse in Phase III is substantially complete (the "Second Addition Rent Commencement Date") in accordance with Exhibit B attached hereto."

(d) Section 6 of Rider #1 to the Lease is replaced with the following:

"6. Date of Closing: Not before the date when at least 50% of the Landlord's principal mortgage indebtedness incurred in connection with Landlord's permanent loan relating to the Second Addition (originally totally approximately $8,000,000 00) has been paid in full, but not later than April 30, 2020 (and not later than April 30, 2025, if the option to extend is exercised)."

(e) Exhibit A-1, Exhibit A-2 and Exhibit B-1 attached to this Amendment are incorporated and made a part of the Lease.

2. Memorandum of Lease. The parties agree to amend the Memorandum of Lease to reflect the changes set forth in this Amendment.

3. Execution of Amendment. This Amendment may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument. Landlord's delivery of this Amendment to Tenant shall not be deemed to be an offer to amend the Lease and shall not be binding upon either party until executed and delivered by both parties.

Landlord and Tenant have signed this Amendment on the date specified adjacent to their signatures below.

PAGODA PARTNERS LLC,
an Ohio limited liability company

By: /s/ John P. Reed
John P. Reed, Manager

By: /s/ Charles L. Smythe
Charles L. Smythe, Jr., Manager

HOMEWORKS, INC., an Ohio corporation

By: /s/ John P. Reed
John P. Reed, President

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 23rd day of September, 2004, by John P. Reed, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL)

/s/ ALLAN G. CHURCHMACK
Notary Public

My commission expires:

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this _____ day of September, 2004, by Charles L. Smythe, Jr., a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL)

Notary Public

My commission expires:

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this _____ day of September, 2004, by John P. Reed, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL)

Notary Public

My commission expires:

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 23rd day of September, 2004, by Charles L. Smythe, Jr., a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL)

/s/ Suzanne E. Jackson
Notary Public

My commission expires:

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 23rd day of September, 2004, by John P. Reed, President of HOMEWORKS, INC., an Ohio corporation, on behalf of the corporation.

(SEAL)

/s/ ALLAN G. CHURCHMACK
Notary Public

My commission expires:

Exhibit 10.15

SECOND AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE

THIS SECOND AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE is dated as of the 12th day of April, 2005, by and between PAGODA PARTNERS LLC, an Ohio limited liability company, having an address of 1801 E. Ninth Street, Suite 1600, Cleveland, Ohio 44114-3103 ("Landlord"), and HOMEWORKS, INC., an Ohio corporation, having an address of 7700 Northfield Road, Walton Hills, Ohio 44146 ("Tenant").

RECITALS

A. Landlord and Tenant have entered into a certain Industrial Real Estate Lease, dated November 8, 2000 (the "Original Lease"), with respect to premises known as 7700 Northfield Road, Walton Hills, Ohio.

B. Landlord and Tenant have amended the Original Lease pursuant to a certain Amendment to Industrial Real Estate Lease dated as of September 22, 2004 (the "First Amendment").

C. The parties desire to amend the Original Lease as previously amended (as so amended, the "Lease") to replace Exhibit B-1 attached to the First Amendment.

NOW THEREFORE, for good and valuable consideration, the Landlord and Tenant agree as follows:

1. The Lease is amended as of January 1, 2005 so that Exhibit B to the Lease is replaced with the Revised Exhibit B-1 attached to this Amendment, which Revised Exhibit B-1 is incorporated and made a part of the Lease.

2. This Amendment may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument.

PAGODA PARTNERS LLC,
an Ohio limited liability company

By: /s/ John P. Reed
John P. Reed, Manager

By: /s/ Charles L. Smythe, Jr.
Charles L. Smythe, Jr., Manager

HOMEWORKS, INC., an Ohio corporation

By: /s/ John P. Reed
John P. Reed, President

STATE OF OHIO)
) SS.
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 14th day of April, 2005, by John P. Reed, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL) /s/ Allan G. Churchmack
Notary Public

My commission expires:

STATE OF OHIO)
) SS.
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this __ day of April, 2005, by Charles L. Smythe, Jr., a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL)
Notary Public

My commission expires:

STATE OF OHIO)
) SS.
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 14th day of April, 2005, by John P. Reed, President of HOMEWORKS, INC., an Ohio corporation, on behalf of the corporation.

(SEAL) /s/ Allan G. Churchmack
Notary Public

My commission expires:

STATE OF OHIO)
) SS.
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this __ day of April, 2005, by John P. Reed, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL)

Notary Public

My commission expires:

STATE OF OHIO)
) SS.
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 13th day of April, 2005, by Charles L. Smythe, Jr., a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company.

(SEAL)

/s/ Suzanne E. Jackson
Notary Public

My commission expires:

STATE OF OHIO)
) SS.
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this __ day of April, 2005, by John P. Reed, President of HOMEWORKS, INC., an Ohio corporation, on behalf of the corporation.

(SEAL)

Notary Public

My commission expires:

Exhibit 10.16

THIRD AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE

THIS THIRD AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE is dated as of the 16th day of December, 2013, by and between PAGODA PARTNERS LLC, an Ohio limited liability company, having an address of 1801 E. Ninth Street, Suite 1600, Cleveland, Ohio 44114-3103 ("Landlord"), and HOMEWORKS, INC., an Ohio corporation, having an address of 7700 Northfield Road, Walton Hills, Ohio 44146 ("Tenant").

RECITALS

A. Landlord and Tenant have entered into a certain Industrial Real Estate Lease, dated November 8, 2000, as amended by amendments dated as of September 22, 2004 and April 12, 2005 (as amended, the "Lease"), with respect to premises known as 7700 Northfield Road, Walton Hills, Ohio.

B. Upon Landlord and Tenant amending the Lease as set forth in this Amendment, Landlord has agreed to consent to (i) Homeworks, Inc., converting from a corporation to a limited liability company and changing its name to Arhaus, LLC, and (ii) John Reed transferring 25% of his interest in Tenant to affiliates of Freeman, Spogli & Co.

NOW THEREFORE, for good and valuable consideration, the Landlord and Tenant agree as follows:

1. The Lease is amended to add the following sentence to the end of Section 9.01: "If Tenant is a limited liability company, any cumulative transfer of more than twenty-five percent (25%) of the membership interests shall require Landlord's consent."

2. This Amendment may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument.

PAGODA PARTNERS LLC,
an Ohio limited liability company

By: /s/ John P. Reed
John P. Reed, Manager

By: /s/ Christopher E. Smythe
Name: Christopher E. Smythe, Manager

HOMEWORKS, INC., an Ohio corporation

By: /s/ John P. Reed
John P. Reed, President

Exhibit 10.17

FOURTH AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE

THIS FOURTH AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE is dated this 16th day of May, 2019 between PAGODA PARTNERS LLC, an Ohio limited liability company, having an address of 1801 E. Ninth Street, Suite 1600, Cleveland, Ohio 44114-3103 ("Landlord"), and ARHUAS, LLC a Delaware limited liability company, fka HOMEWORKS, INC, having an address of 51 East Hines Hill Road, Boston Heights, Ohio 44236 ("Tenant").

RECITALS

A. Landlord and Tenant entered into a certain Industrial Real Estate Lease, dated November 8, 2000 (the "Original Lease"), with respect to premises known as 7700 Northfield Road, Walton Hills, Ohio 44146.

B. Landlord and Tenant amended the Original Lease pursuant to the first Amendment to Industrial Real Estate Lease dated September 22, 2004 (the "1st Amendment"), the Second Amendment to Industrial Real Estate Lease dated April 12, 2005 (the "2nd Amendment"), and the Third Amendment dated December 16, 2013 (the "3rd Amendment").

C. The parties desire to amend the Original Lease as previously amended (the "Lease") to extend the Lease Term and set forth the rent for the remainder of the Lease Term.

NOW THEREFORE, for good and valuable consideration, the Landlord and Tenant agree as follows:

1. Section 1.05 shall be deleted in its entirety and replaced with the following: Lease Term: Beginning on November 8, 2000 and ending on April 30, 2021. Subject to Landlord's written approval and acceptance Tenant may extend the term in twelve (12) month increments by providing Landlord with notice six (6) months prior to the end of the then current termination date.

2. Exhibit B-1 shall be deleted in its entirety and replaced with the following: From the date this Fourth Amendment is signed until the Lease termination date of April 30, 2021 or any renewal term thereafter, rent (inclusive of common area maintenance and insurance) shall be $113,242.32 per month.

The remaining provisions of the Lease shall remain unchanged and unaffected by this 4th Amendment.

IN WITNESS WHEREOF, the parties have caused their authorized representatives to execute this Agreement as of the day and year first written above.

My commission expires:

April 10th, 2022

STATE OF OHIO)
) SS
COUNTY OF SUMMIT)

The foregoing instrument was acknowledged before me this 15th day of May, 2019, by Mark D. Thompson, President of Arhaus, LLC a Delaware limited liability company, on behalf of the limited liability company.

(SEAL)

/s/ Allan Churchmack
Notary Public

My commission expires:

PAGODA PARTNERS LLC,

By: /s/ John P. Reed
John P. Reed, Manager

By: /s/ Christopher E. Smythe
Christopher E. Smythe, Manager

Arhaus, LLC

By: /s/ Mark D. Thompson
Mark D. Thompson, President

STATE OF OHIO)
) SS
COUNTY OF SUMMIT)

The foregoing instrument was acknowledged before me this 15th day of May, 2019, by John P. Reed, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company

(SEAL)

/s/ Allan Churchmack
Notary Public

My commission expires:

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 16th day of May, 2019, by Christopher E. Smythe, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company

/s/ Ashley M. Puchajda
Notary Public

Exhibit 10.18

FIFTH AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE

THIS FIFTH AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE is dated this 1st day of May, 2020 between PAGODA PARTNERS LLC, an Ohio limited liability company, having an address of 1801 E. Ninth Street, Suite 1600, Cleveland, Ohio 44114-3103 ("Landlord"), and ARHAUS, LLC a Delaware limited liability company, fka HOMEWORKS, INC, having an address of 51 East Hines Hill Road, Boston Heights, Ohio 44236 ("Tenant").

RECITALS

A. Landlord and Tenant entered into a certain Industrial Real Estate Lease, dated November 8, 2000 (the "Original Lease"), with respect to premises known as 7700 Northfield Road, Walton Hills, Ohio 44146.

B. Landlord and Tenant amended the Original Lease pursuant to the first Amendment to Industrial Real Estate Lease dated September 22, 2004 (the "1st Amendment"), the Second Amendment to Industrial Real Estate Lease dated April 12, 2005 (the "2nd Amendment"), and the Third Amendment dated December 16, 2013 (the "3rd Amendment") and the Fourth Amendment dated May 16, 2019 (the "4th Amendment").

C. The parties desire to amend the Original Lease as previously amended (the "Lease") to amend the rent payments for the remainder of the Lease Term.

NOW THEREFORE, for good and valuable consideration, the Landlord and Tenant agree as follows:

1. Exhibit B-1 shall be modified with from the date this Fifth Amendment is signed with the following rent payment plan:

April	**2020**	$ —	Deferred
May	**2020**	$ —	Deferred
June	**2020**	$145,597.27	
July	**2020**	$145,597.27	
August	**2020**	$145,597.27	
September	**2020**	$145,597.27	
October	**2020**	$145,597.27	
November	**2020**	$145,597.27	
December	**2020**	$145,597.27	
January	**2021**	$113,243.32	
February	**2021**	$113,244.32	
March	**2021**	$113,245.32	
April	**2021**	$113,246.32	

The remaining provisions of the Lease and Exhibits shall remain unchanged and unaffected by this 5th Amendment.

IN WITNESS WHEREOF, the parties have caused their authorized representatives to execute this Agreement as of the day and year first written above.

PAGODA PARTNERS LLC,

By: /s/ John P. Reed
John P. Reed, Manager

By: /s/ Christopher E. Smythe
Christopher E. Smythe, Manager

Arhaus, LLC

By: /s/ John P. Reed
John P. Reed, CEO

STATE OF OHIO)
) SS
COUNTY OF SUMMIT)

The foregoing instrument was acknowledged before me this 8 day of July, 2020, by John P. Reed, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company

(SEAL) /s/ Barbara S. Lee

My commission expires:

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 8th day of July, 2020, by Christopher E. Smythe, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company

(SEAL) /s/ Edward J. Bill
Notary Public

My commission expires:

STATE OF OHIO)
) SS
COUNTY OF SUMMIT)

The foregoing instrument was acknowledged before me this 8 day of July, 2020, by John P. Reed, Chief Executive Officer of Arhaus, LLC a Delaware limited liability company, on behalf of the limited liability company.

(SEAL) /s/ Barbara A. Lee
Notary Public

My commission expires:

Exhibit 10.19

SIXTH AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE

THIS SIXTH AMENDMENT TO INDUSTRIAL REAL ESTATE LEASE is dated this 24th day of August, 2020 between PAGODA PARTNERS LLC, an Ohio limited liability company, having an address of 1801 E. Ninth Street, Suite 1600, Cleveland, Ohio 44114-3103 ("Landlord"), and ARHAUS, LLC a Delaware limited liability company, fka HOMEWORKS, INC, having an address of 51 East Hines Hill Road, Boston Heights, Ohio 44236 ("Tenant").

RECITALS

A. Landlord and Tenant entered into a certain Industrial Real Estate Lease, dated November 8, 2000 (the "Original Lease"), with respect to premises known as 7700 Northfield Road, Walton Hills, Ohio 44146.

B. Landlord and Tenant amended the Original Lease pursuant to the First Amendment to Industrial Real Estate Lease dated September 22, 2004 (the "1st Amendment"), the Second Amendment to Industrial Real Estate Lease dated April 12, 2005 (the "2nd Amendment"), the Third Amendment dated December 16, 2013 (the "3rd Amendment"), the Fourth Amendment dated May 16, 2019 (the "4th Amendment"), and the Fifth Amendment dated May 1, 2020 (the "5th Amendment''),

C. The parties desire to amend the Original Lease as previously amended (the "Lease") to amend and extend the Term of the Original Lease.

NOW THEREFORE, for good and valuable consideration, the Landlord and Tenant agree as follows;

1. Section 1.05 shall be revised and amended as follows: Beginning on May 1, 2021, the Term of the Original Lease shall be extended through and including April 30, 2024. Subject to Landlord's written approval and acceptance, Tenant may extend the term in twelve (12) month increments by providing Landlord with notice six (6) months prior to the end of the then current termination date.

2. Exhibit B-1 shall be revised and amended as follows: From the date of commencement of the extended Term, May 1, 2021 through and including the Lease termination date of April 30, 2024 or any renewal term thereafter, rent (inclusive of common area maintenance and insurance) shall be $113,242.32 per month.

The remaining provisions of the Lease and Exhibits shall remain unchanged and unaffected by this 6th Amendment.

IN WITNESS WHEREOF, the parties have caused their authorized representatives to execute this Agreement as of the day and year first written above.

PAGODA PARTNERS LLC,

By: /s/ John P. Reed
John P. Reed, Manager

By: /s/ Christopher E. Smythe
Christopher E. Smythe, Manager

Arhaus, LLC

By: /s/ John P. Reed
John P. Reed, Chief Executive Officer

STATE OF OHIO)
) SS
COUNTY OF SUMMIT)

The foregoing instrument was acknowledged before me this 24 day of August, 2020, by John P. Reed, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company

(SEAL)

/s/ Barbara A. Lee
Notary Public

My commission expires:

STATE OF OHIO)
) SS
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 24th day of August, 2020, by Christopher E. Smythe, a Manager of PAGODA PARTNERS LLC, an Ohio limited liability company, on behalf of the limited liability company

(SEAL)

/s/ Edward J. Bill
Notary Public

My commission expires:

STATE OF OHIO)
) SS
COUNTY OF SUMMIT)

The foregoing instrument was acknowledged before me this 24 day of August, 2020, by John P. Reed, Chief Executive Officer of Arhaus, LLC a Delaware limited liability company, on behalf of the limited liability company.

(SEAL)

/s/ Barbara A. Lee
Notary Public

My commission expires:

Exhibit 10.20

LEASE

BY AND BETWEEN

PREMIER ARHAUS LLC, as Landlord

and

ARHAUS, LLC, as Tenant

Date: Sept. 19, 2014

TABLE OF CONTENTS

LEASE

THIS LEASE, made this 19th day of Sept. 2014 by and between PREMIER ARHAUS, LLC, a Delaware limited liability company ("Landlord"), and ARHAUS, LLC, a Delaware limited liability company ("Tenant").

ARTICLE 1 - LEASE OF PREMISES

Section 1.01. Lease of Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, for the Lease Term (defined below), (a) approximately sixty-four (64) acres of land described on **Exhibit A** (the "Land"), and (b) the approximately Seven Hundred Forty-Four Thousand (744,000) square foot building to be constructed on the Land (the "Building"). The Land and Building are shown on the Site Plan set forth on **Exhibit A-1** and are referred to collectively as the "Leased Premises."

Section 1.02. Basic Lease Provisions. The following constitute the "Basic Lease Provisions" of this Lease:

A. Building Expense Percentage: 100%;

B. Minimum Annual Base Rent:

Period	Monthly	Annual
Lease Years 1-5	$296,860.25/month	$3,562,323
Lease Years 6-10	$332,186.00/month	$3,986,232
Lease Years 11-15	$371,850.00/month	$4,462,200
Lease Years 16-17	$416,472.00/month	$4,997,664
Lease Years 18-20	$416,472.00/month	$4,997,664
Lease Years 21-25	$466,449.00/month	$5,597,383
Lease Years 26-27	$522,422.00/month	$6,269,069

C. [Intentionally Omitted]

D. Additional Rent: All amounts to be paid by Tenant pursuant to the terms of this Lease, other than Minimum Annual Base Rent, including, but not limited to, the Annual Rental Adjustments (defined below) and Excess Costs (defined below);

E. Lease Term: Seventeen (17) Lease Years (defined below), unless extended in accordance with the terms of this Lease;

F. Extensions: One (1) ten (10) year option to extend the Lease Term, followed by two (2) five (5) year options to extend the Lease Term.

G. Completion Date: The date that Landlord substantially completes the Tenant Improvement Work in accordance with Section 2.02(I) of this Lease. Tenant shall have the right to enter the Leased Premises and Building for the purpose of performing any work and installing any fixtures and equipment prior to the substantial completion of the Work and before the Completion Date, as long as Tenant does not unreasonably and materially interfere with Landlord's Work;

H. Rent Commencement Date: November 1, 2015, or the date Tenant opens for business in the Office component (described in the Project Description (defined below)) of the Building, whichever first occurs; provided, however that the Rent Commencement Date shall be extended on a day for day basis to the extent that the Completion Date does not occur on or before September 1, 2015, for any reason except for a Tenant Delay.

I. Security Deposit: None;

J. Broker: Metro Space Realty;

K. Permitted Use: Office, warehouse, distribution and any other lawful use;

L. Address for payments and notices as follows:

Landlord:	Premier Arhaus, LLC c/o Premier Development Partners, LLC 5301 Grant Avenue Cleveland, Ohio 44125 Attention: Spencer N. Pisczak
With a copy to:	James B. Aronoff, Esq. Thompson Hine LLP 3900 Key Tower 127 Public Square Cleveland, Ohio 44114
Tenant (prior to the Rent Commencement Date):	
	Arhaus, LLC 7700 Northfield Road Walton Hills, Ohio 44146 Attention: Greg Teed, CFO
With a copy to:	Arhaus, LLC 7700 Northfield Road Walton Hills, Ohio 44146 Attention:
Tenant (from and after the Rent Commencement Date):	
	Arhaus, LLC ADDRESS OF BUILDING Attention: Greg Teed, CFO
With a copy to:	Arhaus, LLC ADDRESS OF BUILDING Attention:

M. Lease Year: Each consecutive twelve (12) month period occurring during the Lease Term commencing upon the Rent Commencement Date; provided, however, that if the Rent Commencement Date is not first day of a month, the first Lease Year will include the period from the Rent Commencement Date to the first day of the following month.

N. Exhibits: The following Exhibits are attached to this Lease:

Exhibit A	-	Legal Description of Land
Exhibit A-1	-	Site Plan Showing the Land and Building
Exhibit B	-	Project Schedule
Exhibit C	-	Project Description
Exhibit C-1	-	Project Costs
Exhibit D	-	Exterior Elevations
Exhibit E	-	Form of SNDA
Exhibit F	-	Form of Estoppel Certificate
Exhibit G	-	Form of Memorandum of Lease

O. Tenant's Representative: Greg Teed and

P. Landlord's Representative: Spencer Pisczak and Kevin Callahan

Q. Parking Areas: As more specifically described in the Project Description (i) all improved and unimproved areas on the Land, including, without limitation: parking areas and facilities, roadways, sidewalks, curbs, driveways, truckways, delivery areas, landscaped areas (including any irrigation facilities), lighting facilities, and other areas, amenities, facilities and improvements on the Land, and (ii) all site work on or benefiting the Leased Premises.

ARTICLE 2 - TERM AND POSSESSION

Section 2.01. Term. The term of this Lease (the "Lease Term") shall commence on the Completion Date and expire upon the last day of the seventeenth (17^{th}) Lease Year following the Rent Commencement Date, unless extended in accordance with the terms of this Lease (the "Expiration Date").

Section 2.02. Construction of Improvements and Possession.

A. Project Schedule; Completion Dates. Landlord and Tenant agree that a preliminary project schedule is attached hereto an **Exhibit B** (the "Project Schedule"). The Project Schedule shall only be modified or changed by a writing executed by Landlord and Tenant, or as otherwise required or permitted by the terms of this Lease. Subject to Landlord Excusable Delays, Landlord shall cause the Completion Date to occur no later than September 1, 2015. If for any reason the Completion Date shall not occur by December 31, 2016 (the "Outside Completion Date"), this Lease shall automatically be null and void, and neither party shall have any claim against the other in damages or

otherwise, provided, however, should the failure of the Completion Date to occur on or before the Outside Completion Date be due to Tenant Delay, then the Outside Completion Date shall be extended for one day for each day of Tenant Delay; provided that the Tax Exemption pursuant to the Community Reinvestment Area Agreement with the Village of Boston Heights, Ohio remains in effect.

B. Shell Building Work. The scope of the work for the improvements constituting the shell Building and Parking Areas work (collectively, the "Shell Building Work") to be performed by Landlord is set forth in the project description in **Exhibit C** attached hereto and made a part hereof (the "Project Description"). Tenant has approved the Project Description. On or before the date set forth on the Project Schedule, Landlord shall cause to be prepared and submitted to Tenant plans and specifications based upon the Project Description, the exterior of which shall incorporate the Exterior Elevations set forth on **Exhibit D** (collectively, the "Shell Building Plans and Specifications"). Tenant shall review and approve or comment on the Shell Building Plans and Specifications within the time periods required by Section 2.02(M) of this Lease. The Shell Building Plans and Specification shall be revised by Landlord to incorporate Tenant's reasonable comments.

1. Bidding the Shell Building Work. Landlord agrees to competitively bid the Shell Building Work. Tenant's Representative and Landlord will review bids and Tenant shall have the right to offer comments to Landlord with respect to the selection of bidders and require Landlord to include certain bidders in the bidding process. Unless otherwise mutually agreed by Landlord and Tenant, Landlord shall be required to construct the Shell Building Work for the lowest comparable bid received by Landlord from subcontractors and suppliers, but in all events both Landlord and Tenant retain the right to approve final subcontractors and suppliers who are awarded the bids.

2. Costs of Shell Building Work. Landlord shall pay the costs and expenses comprising the Shell Building Cost (as hereinafter defined), including, but not limited to, architectural, engineering and permit fees and construction management fees (equal to three and seventy-one hundredths percent (3.71 %) of the hard costs of non-Change Order Work) (collectively, the "Soft Costs"), without regard to either the Construction or Soft Costs Contingencies set forth on **Exhibit C-1** attached hereto and made a part hereof (collectively the "Contingencies").

3. Shell Building Cost. (a) The Minimum Annual Base Rent is based upon the Shell Building Work described by category on **Exhibit C-1** costing no more than Thirty Million Nine Hundred Ninety Thousand and 00/100 Dollars excluding book contingency ($30,990,000.00) (the "Shell Building Cost"). Costs and expenses incurred by Landlord in excess of the Shell Building Cost as a result of or attributable to (a) Change Orders instituted or approved in writing by Tenant, or (b) Tenant Delays shall be the responsibility of Tenant in accordance with the terms of this Lease (the "Shell Building Excess Costs"). (b) For purposes of this Lease, "Shell Building Cost Savings" shall mean any reduction in the Shell Building Cost arising from: (i) Change Orders or (ii) savings from contractors or suppliers identified by Tenant who are engaged by Landlord to provide services or materials as part of the Shell Building Work.

C. Tenant Improvements.

1. Approval of Tenant Improvement Plans and Specifications. On or before the date set forth on the Project Schedule, Landlord shall cause to be prepared and submitted to Tenant plans and specifications (the "Preliminary Tenant Improvement Plans and Specifications") describing the work to be completed by Landlord in constructing the tenant improvements to the Leased Premises, which may also include, without limitation, any upgrades to the Shell Building Work, but subject, in all events, to the limits and thresholds set forth in Section 2.02B.3. hereof. Tenant shall review and approve or comment on the Preliminary Tenant Improvement Plans and Specifications within the time periods required by Section 2.02(M) of this Lease. Landlord shall revise the Preliminary Tenant Improvement Plans and Specifications pursuant to Tenant's reasonable comments. Upon Tenant's approval of the Preliminary Tenant Improvement Plans and Specifications, Landlord shall cause the completion of 100% Construction Documents based upon the approved Preliminary Tenant Improvement Plans and Specifications (the "Tenant Improvement Plans and Specifications"). The work to be performed by Landlord described in such Tenant Improvement Plans and Specifications shall be referred to as the "Tenant Improvement Work." The Shell Building Work and the Tenant Improvement Work are sometimes collectively referred to herein as the "Work", and the Shell Building Plans and Specifications and the Tenant Improvement Plans and Specifications are sometimes collectively referred to herein as the "Plans and Specifications."

2. Tenant Improvement Allowance. Except for costs and expenses attributable to Change Orders or Tenant Delays, each as defined below, Landlord shall be responsible for the costs of the Tenant Improvement Work, including, but not limited to, the Soft Costs, up to One Million Nine Hundred Thousand and 00/100 Dollars ($1,900,000.00), subject to increase in an amount equal to the Shell Building Cost Savings, if any (the "Tenant Improvement Allowance"). If the cost of the Tenant Improvement Work is less than the Tenant Improvement Allowance, then Tenant may elect in writing to use any part of the Tenant Improvement Allowance for costs relating to the Leased Premises, the construction of any portion thereof or Tenant's use or occupancy thereof. If the cost of the Tenant Improvement Work is in excess of the Tenant Improvement Allowance, then such excess costs shall be borne by Tenant in accordance with the terms of this Lease. Any unused portion of the Tenant Improvement Allowance shall be credited against Minimum Annual Base Rent in accordance with the terms of this Lease, including Section 2.02F.2.

3. Tenant Improvement Work. Landlord shall perform the Tenant Improvement Work based upon the approved Tenant Improvement Plans and Specifications.

4. Bidding the Tenant Improvement Work. Landlord agrees to competitively bid the Tenant Improvement Work. Tenant's Representative and Landlord will review bids and Tenant shall have the right to offer comments to Landlord with respect to the selection of bidders and require Landlord· to include certain bidders in the bidding process. Unless otherwise mutually agreed by Landlord and Tenant, Landlord shall be required to construct the Tenant Improvement Work for the lowest comparable bid

received by Landlord from subcontractors, and Tenant shall have the right to approve final subcontractors who are awarded the bids. Landlord shall serve as construction manager for the construction of the Tenant Improvement Work and shall be entitled to a construction management fee equal to three and seventy-one hundredths percent (3.71%) of the hard costs of such Tenant Improvement Work.

D. Future Expansion Tenant Improvement Work; Adjustments to Rent and Term. Provided that there are no material adverse changes to the Tenant's financial condition since December 31, 2013, on or before the date which is four (4) years from the Rent Commencement Date (the "Office Expansion Option Period"), Tenant shall have the option (the "Office Expansion Option") to request that Landlord construct up to an additional one hundred thousand (100,000) square feet of additional office in the Building (the "Expansion Space"). Landlord and Tenant agree that the procedures for the design and construction of the Expansion Space (the "Expansion Work") shall proceed in accordance with the provisions of this Article II in the same manner as if part of the original Work. Landlord and Tenant also agree that Landlord shall provide a tenant improvement allowance of sixty and 00/100 Dollars ($60.00) per square foot of the Expansion Space (the "Expansion TI Allowance"). Landlord shall serve as construction manager for the construction of the Expansion Work and shall be entitled to a construction management fee equal to three and seventy-one hundredths percent (3.71%) of the hard costs of such Expansion Work. Should Tenant elect to exercise the Office Expansion Option, the Minimum Annual Base Rent shall be increased (the "Office Expansion Rent Increase") for the remainder of the initial Lease Term by the product of the following:

The Expansion TI Allowance, multiplied by the actual amount of the Expansion Space, plus the actual Softs Costs associated with the Expansion Work, multiplied by the greater of: (i) nine and twenty-five one hundredths percent (9.25%) or (ii) the Prime Rate at the time of the exercise of the Office Expansion Option plus six hundred (600) basis points.

Should Tenant exercise the Office Expansion Option within the first twenty-four (24) months following the Rent Commencement Date, the initial Lease Term shall remain unchanged. Should the Tenant exercise the Office Expansion Option any time after the first twenty-four (24) months following the Rent Commencement Date and prior to the expiration of the Office Expansion Option Period, then the initial Lease Term shall be increased by an additional three (3) years and the Minimum Annual Base Rent for the Lease Years following any such additional initial Lease Term provided in Section 1.02B. here of shall be adjusted to reflect that each incremental increase in any such Minimum Annual Base Rent shall occur at the end of each five (5) Lease Year period.

Example: If: (i) the Expansion Space equals 100,000 square feet, (ii) the actual Soft Costs of the Expansion Work equal $360,000, (iii) the Tenant exercises the Office Expansion Option in the 20th month following the Rent Commencement Date, and (iv) the Prime Rate at the time of the exercise of the Office Expansion Option is 2.25%, then, the Minimum Annual Base Rent shall be increased for the balance of the original initial Lease Term by $588,300 (($6,000,000 + $360,000) x 9.25%).

E. Change Orders. Tenant shall have the right to request in writing that Landlord make changes from time to time in the Plans and Specifications. Landlord shall prepare a detailed change order ("Change Order") with plans and costs for such changes and receive Tenant's approval of such change orders prior to implementation. Landlord agrees to make commercially reasonable efforts to cooperate and consult with Tenant to achieve Tenant's objectives with respect to each Change Order and minimize any impact thereby on the Project Schedule and/or cost. Any additional cost in excess of any applicable allowance provided for under this Lease which is associated with said Change Orders shall increase Minimum Annual Base Rent in accordance with the terms of this Lease or be paid in a lump sum by Tenant on the Completion Date, at Tenant's option. Change Orders that result in a credit may, at the written election of Tenant, be either applied toward the cost of additional current or future work, or to reduce Minimum Annual Base Rent in accordance with the terms of this Lease. A construction management fee equal to five percent (5%) of the hard costs of construction shall be charged to all Change Order work.

F. Adjustments to Minimum Annual Base Rent; Payment of Additional Costs.

1. Excess Costs; Increases in Minimum Annual Base Rent. For purposes of this Lease, the term "Excess Costs" shall mean the following: (a) costs and expenses in excess of the Tenant Improvement Allowance that are the responsibility of Tenant; or (b) Shell Building Excess Costs. Tenant shall have the option to pay for Excess Costs in the following manners:

(i) payment of a lump sum within thirty (30) days after the Completion Date and an invoice detailing such Excess Costs; or

(ii) an increase in the Minimum Annual Base Rent.

If Tenant elects to pay for Excess Costs through in an increase in Minimum Annual Base Rent, then Minimum Annual Base Rent shall be increased for the Lease Term by an amount equal to nine and twenty-five one hundredths percent (9.25%) of such Excess Costs. Such increases in Minimum Annual Base Rent shall be reflected in an amendment to this Lease. To the extent that any Excess Costs raise the total cost of the Work to exceed Thirty Eight Million Five Hundred thousand and 00/100 Dollars ($38,500,000.00) (the "Project Cost Cap"), then tenant shall pay any such amounts in excess of the Project Cost Cap in accordance with (i) above.

2. Decreases in Minimum Annual Base Rent. If Tenant is entitled to a decrease in Minimum Annual Base Rent under the terms of this Lease, then Minimum Annual Base Rent shall be decreased for the Lease Term by an amount equal to nine and twenty-five one hundredths percent (9.25%) of the amount of the decrease in costs to which Tenant is entitled.

G. Permits; Approvals; Compliance with Laws. Landlord shall apply for and obtain all permits, licenses and certificates (including zoning approvals) necessary for the

construction of the Work and for the occupancy thereof by Tenant. Landlord shall be obligated to obtain a temporary and final certificate of occupancy. Landlord shall use all commercially reasonable efforts to cause Landlord's architects to prepare the applicable Plans and Specifications in accordance with all Laws and for obligating its contractors, subcontractors and suppliers of every tier to perform their work in accordance with all local, state and federal laws, rules, orders, regulations and codes including without limitation, the American with Disabilities Act (hereinafter referred to collectively as "Laws").

H. Project Meetings; Progress Reports. Tenant and Tenant's Representative shall (i) have the right to inspect the progress of the Work upon reasonable prior notice, and (ii) be invited to attend all project meetings, including all design review meetings and construction meetings. Landlord shall meet with Tenant weekly to provide progress reports and to permit Tenant's review. Landlord shall report to Tenant as to all material aspects of the progress of Landlord's performance of the Work including, but not limited to: (a) the progress of the Work performed and the materials and equipment installed and utilized in performing the Work; and (b) Landlord's compliance with the Project Schedule.

I. Substantial Completion; Commencement Date. The Work shall be deemed substantially complete upon satisfaction of the following:

1. (a) the Shell Building Work has been completed in substantial accordance with the Shell Building Plans and Specifications to the extent required for Tenant to obtain safe and legal access to the Leased Premises and (b) the Tenant Improvement Work has been completed in substantial accordance with the Tenant Improvement Plans and Specifications, respectively, subject, in the case of (a) or (b), only to minor punch list items (i.e., such unfinished items as shall not impair Tenant's ability to use the Leased Premises in the manner intended by the Lease) to be mutually agreed to and identified by Tenant and Landlord during a joint inspection of the Leased Premises upon substantial completion ("Punch List Items") and to items the completion of which is prevented or should be postponed due to weather conditions (e.g., landscaping, final paving, etc.) and which do not prevent the issuance of a temporary certificate of occupancy ("Weather Related Items");

(ii) Landlord has obtained a temporary certificate of occupancy for the Leased Premises;

(iii) the project architect shall certify in writing to Tenant and Landlord pursuant to and in accordance with form AIA-G704, or other form reasonably acceptable to Tenant and Landlord as to those same matters in subsections J.(i)(a) and (b), above; and

(iv) all Building systems shall be fully operational and all utilities shall be available with meters set and activated.

(v) Landlord shall remove all rubbish from, in and near the Leased Premises, together with all of its tools, equipment, and surplus materials and shall leave the Leased Premises clean and ready for use by Tenant. Should Landlord fail to complete the required clean-up, then Tenant may clean-up or cause the Leased Premises to be cleaned-up and Tenant shall submit an invoice to Landlord for such cost and Landlord shall pay such invoice promptly.

All Punch List Items and Weather Related Items shall be completed by Landlord as soon as practicable but in no event shall Punch List Items be completed later than thirty (30) days after the Completion Date, unless otherwise agreed to by both Tenant and Landlord in writing.

J. Tenant's Early Entry for Fixturing, Cabling and IT Work. Tenant shall have the right to enter the Leased Premises sixty (60) days prior to the Completion Date (the "Fixturing Date") as set forth in the Project Schedule for purposes of installing Tenant's fixtures, equipment, furnishings, racking and storage systems in the Building (the "Fixture Work") and for purposes of performing its cabling work on and installing its information technology and other telecommunications equipment in the Building (the "Cabling and IT Work"; the Fixture Work and Cabling and IT Work is hereinafter referred to collectively as "Tenant's Work"). Tenant shall endeavor to coordinate Tenant's Work and entry on the Leased Premises with Landlord or Landlord's construction manager so that Tenant's early entry does not unreasonably interfere with or delay Landlord's performance of the Work. If as a result of any of Tenant's Work, modifications or changes are required to be made to the Building, then Tenant shall be responsible for all costs and expenses relating to such modifications or changes.

K. Warranties. Landlord hereby agrees, for a period of one (1) year after the Rent Commencement Date (two (2) years for latent defects), to correct defects in materials and workmanship, or the failure of the Work to be completed substantially in accordance with the applicable Plans and Specifications or Laws. Notwithstanding the foregoing, extended warranties set forth in the applicable specifications or manufacturers' warranties shall be for such longer period of time (if any) as is expressly provided in the applicable specifications or in the manufacturer's warranty. Upon and following the Rent Commencement Date, Landlord shall enforce for the benefit of Tenant all warranties and guarantees relating to the Leased Premises and any and all systems contained therein. Any repairs required under the foregoing warranties will be mutually agreed to between Landlord and Tenant. Landlord makes no warranty with respect to, and none of the foregoing warranties shall apply to, any Work, or any component thereof, not performed by Landlord.

Tenant reserves the right to cause other (i) contractors to perform portions of the Work related to the mock store identified in the Project Description or other portions of the Work (upon which Landlord and Tenant must mutually agree in their reasonable discretion), and (ii) suppliers to supply steel and roof deck materials, in which event Landlord shall not be entitled to a Management Fee relating to such Work or materials.

L. Cooperation of the Parties. The parties agree to use commercially reasonable efforts to cooperate in good faith with each other so that the various tasks and obligations of the parties reflected in the Project Schedule or provided for in this Article 2 may be performed and completed within the time periods provided in the Project Schedule or this Article 2, including, but not limited to, responding within reasonable time periods to requests of the other party taking into account the dates set forth in the Project Schedule to which such requests relate.

M. Excusable Delays. For purposes of this Lease, (i) "Tenant Delay" shall mean the period of any delay incurred by Landlord in the performance of its obligations under this Article 2 or under the Project Schedule by the dates or within the time periods set forth herein or therein that is caused by Tenant, its agents, employees, consultants, separate contractors, or others performing any of Tenant's obligations hereunder, including, without limitation, delays directly resulting from (a) Tenant's failure to meet any time deadlines specified herein or in the Project Schedule (other than by reason of a Landlord Delay), (b) Change Orders requested by Tenant, (c) the performance of any other work in or with respect to the Leased Premises by any person, firm or corporation employed by or on behalf of Tenant (including, but not limited to, Tenant's early entry for fixturing purposes allowed herein, or the performance of Tenant's Work), or any failure to complete or delay in completion of such work, and (d) any other act (other than acts required to be performed by Tenant under this Lease) or omission of Tenant; provided, however, that for there to be a "Tenant Delay", Landlord shall have notified Tenant in writing within ten (10) days after the commencement of any one of the conditions set forth above; (ii) "Landlord Delay" shall mean the period of any delay incurred by Tenant in the performance of its obligations under this Article 2 or under the Project Schedule by the dates or within the time periods set forth herein or therein that is caused by Landlord, its agents, employees, subcontractors, consultants or others performing any of Landlord's obligations hereunder, including, without limitation, delays directly resulting from (a) Landlord's failure to meet any time deadlines specified herein or in the Project Schedule (other than by reason of a Tenant Delay) and (b) any other act (other than acts required to be performed by Landlord under this Lease) or omission of Landlord; provided, however, that for there to be a "Landlord Delay", Tenant shall have notified Landlord in writing within ten (10) days after the commencement of any one of the conditions set forth above; (iii) "Landlord Excusable Delay" shall mean a Tenant Delay or Force Majeure Event; (iv) "Tenant Excusable Delay" shall mean a Landlord Delay or Force Majeure Event. Except as otherwise expressly provided in this Lease and subject to the further provisions of this paragraph, the time for performance of any obligation of, or the making of any representation by, Landlord in this Article 2 or the Project Schedule shall be extended by any period of time attributable to a Landlord Excusable Delay, and the time for performance of any obligation of Tenant in this Article 2 or the Project Schedule shall be extended by any period of time attributable to a Tenant Excusable Delay. Except as may be specifically provided in the Project Schedule or elsewhere in this Article 2, at any time either party requires the other party's approval in connection with the Project Schedule or any plans, drawings or specifications, the other party shall respond to such party within five (5) business days (or three (3) business days if the need for such response is urgent and such party indicates it needs a response in three (3) business days) of receipt of such request and if the other party does not, the

other party's approval shall be deemed given. If either party responds to the requesting party with any material change to the scope or nature of the work, such change shall be considered a Tenant Delay or Landlord Delay, as the case may be, even though the response was made within the time periods required hereunder.

N. Tenant's Representative. Either one of Tenant's Representatives shall have full authority to render decisions, make requests and grant approvals on behalf of Tenant with respect to the Work. Landlord shall be entitled to rely on decisions, requests and directions (whether oral or written) made or given by Tenant's representative under this Article 2 as if the same were made by Tenant. Tenant shall have the right to appoint or replace a successor representative at any time upon written notice to Landlord.

O. Performance of the Work. Landlord shall complete the Work in a lien-free and good and workmanlike manner, and in compliance with all Laws; and supply all work, labor, materials and equipment necessary to complete the Work in accordance with the Plans and Specifications.

P. Landlord's Representative Landlord's Representative shall have full authority to render decisions, make requests and grant approvals on behalf of Landlord with respect to the Work. Tenant shall be entitled to rely on decisions, requests and directions (whether oral or written) made or given by Landlord's representative under this Article 2 as if the same were made by Landlord. Landlord shall have the right to appoint or replace a successor representative at any time upon written notice to Tenant.

Q. Tenant's Right to Audit. Landlord shall deliver to Tenant an itemization in reasonable detail of the hard costs of construction and Soft Costs of the Work (collectively, the "Construction Costs") incurred by Landlord in connection with the Work at least monthly during the progress of the Work, including copies of invoices requested by Tenant. Landlord shall maintain such records for a period of two (2) years after the Completion Date. Tenant, its accountants or agents, shall have the right to inspect, at reasonable times and in a reasonable manner, such of Landlord's books of account and records as pertain to and contain information concerning the Construction Costs in order to verify the amounts thereof. If Tenant's audit discloses an overcharge by Landlord, Landlord shall reimburse Tenant the amount of such overpayment within 30 days of such determination and if such overcharge is in excess of five percent (5%) of Construction Costs for the year in question, then Landlord shall pay Tenant's accounting fees reasonably incurred in auditing the Construction Costs, even if Tenant's auditor is paid on a contingency basis.

Section 2.03. Tenant's Acceptance of the Leased Premises. Upon delivery of possession of the Leased Premises to Tenant as hereinbefore provided, Tenant and Landlord shall execute a letter, in form and substance acceptable to Landlord and Tenant, acknowledging: (i) the Completion Date (including the Rent Commencement Date when it occurs) and the Expiration Date of this Lease; (ii) that Tenant has accepted the Leased Premises in its as-is, where-is condition (including the Shell Building Work), subject to matters covered by Landlord's express warranties set forth in this Lease, Punch List Items and Weather Related Items; (iii) the Minimum Annual Base Rent; and (iv) as of the date of such letter, neither Landlord nor Tenant has any claim against the other, except as expressly provided therein.

Section 2.04. Surrender of the Premises. Upon the expiration or earlier termination of this Lease, or upon the exercise by Landlord of its right to re-enter the Leased Premises without terminating this Lease, Tenant shall immediately surrender the Leased Premises to Landlord, together with all alterations, improvements and other property as provided elsewhere herein, in broom-clean condition and in good order, condition and repair, except for ordinary wear and tear and damage which Tenant is not obligated under the terms of this Lease to repair, and upon Tenant's failure to leave the Leased Premises in the condition required herein and the continuation of such failure for thirty (30) days after receipt of written notice, Landlord may restore the Leased Premises to such condition at Tenant's expense. Upon the expiration or earlier termination of this Lease, Tenant shall remove Tenant's furniture, equipment, trade fixtures and other personal property. Tenant shall repair any damage caused by such removal. Any property not removed by Tenant shall be deemed abandoned by Tenant. Tenant's obligations under this Section 2.04 shall survive the expiration or earlier termination of this Lease.

Section 2.05. Holding Over. If Tenant holds over after the expiration or earlier termination of this Lease, Tenant shall become a tenant from month to month, at rent shall be equal to (i) one hundred twenty five percent (125%) of the then current Base Rent for the first six (6) months of such holdover, (ii) one hundred fifty percent (150%) of the then current rental rate for the next six (6) months of such holdover, and (iii), unless the Tenant is in good faith negotiating the terms of a renewal or extension of the Term, one hundred seventy-five percent (175%) of the then current rental rate thereafter, and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of rent after such expiration or earlier termination shall not result in a renewal of this Lease.

ARTICLE 3 - RENT

Section 3.01. Base Rent.

A. Tenant's obligation to pay Minimum Annual Base Rent shall commence on the Rent Commencement Date identified in the Basic Lease Terms above. Tenant shall pay to Landlord the Minimum Annual Base Rent for the Leased Premises in equal consecutive Monthly Base Rental Installments, in advance, without demand, deduction, counterclaim or offset (except as specifically set forth in this Lease) and without relief from valuation and appraisement laws, on or before the first day of each and every calendar month during the Lease Term commencing on the Rent Commencement Date; provided, however, that if the Rent Commencement Date shall be a day other than the first day of a calendar month or the Expiration Date shall be a day other than the last day of a calendar month, the Monthly Base Rental Installment for such first or last fractional month shall be prorated on the basis of the number of days during the month this Lease was in effect in relation to the total number of days in such month.

Section 3.02. Additional Rent; Operating Expenses.

A. Definitions. For purposes of this Section 3.02, the following definitions shall apply:

1. "Annual Rental Adjustment" – shall mean the amount of Operating Expenses for a particular calendar year.

2. "Operating Expenses" – shall mean the amount of all of Landlord's costs and expenses paid or incurred in operating, maintaining, repairing, replacing and managing the Leased Premises for a particular calendar year as reasonably determined by Landlord in accordance with generally accepted accounting principles, consistently applied, including all costs and expenses of operation, maintenance and repair in a first class condition, including by way of illustration and not limitation: all general and special real estate taxes and, general assessments due and payable during each calendar year of the Lease Term and, except as set forth below, all special assessments or service payments made I lieu thereof levied against the Leased Premises and payable during the Term (hereinafter called "real estate taxes"); costs and expenses of contesting the validity or amount of real estate taxes which has been approved by Tenant in writing; insurance premiums for insurance specified under Section 9.03 (which may include premiums for rental interruption insurance); water, sewer, electrical and other utility charges other than the separately billed electrical and other charges paid by Tenant as provided in this Lease; service and other charges incurred in the operation and maintenance of the heating, ventilation and air-conditioning system; cleaning and other janitorial services; tools and supplies that are only used for the Building; landscape and Parking Area maintenance, repair and replacement costs; security services (if required by Tenant); license, permit and inspection fees; management fees in an amount equal to two percent (2%) of the Minimum Annual Base Rent and Operating Expenses (excluding this management fee) (the "Fixed Management Fee"); the annual amortization (amortized over the useful life) of costs, including financing costs, if any, of any equipment, device, or capital improvement purchased or incurred as a labor-saving measure or to effect other economies in the operation or maintenance of the Leased Premises (collectively, "Permitted Capital Items") (provided the annual amortized cost does not exceed the actual annual cost savings realized); and wages and related benefits payable for the maintenance and operation of the Leased Premises (but not wages or related employee benefits payable to any employees above the level of on-site property manager). The Fixed Management Fee shall be included in Operating Expenses commencing upon the Rent Commencement Date. Landlord shall not mark-up any Operating Expenses and shall give Tenant the opportunity to require Landlord to bid out repair or maintenance contracts with bidders selected by Tenant (subject to Landlord's reasonable approval of such bidders) and the lowest bidder shall be engaged to perform such repairs or maintenance.

Notwithstanding the foregoing or any other provision of this Lease, there shall be excluded from Operating Expenses (i) the original capital costs of any improvements to the Leased Premises, (ii) the capital costs of any replacements or alterations of the Building or the Leased Premises, except as expressly provided above in respect of the annual amortization costs of Permitted Capital Items or required as the result of the negligence or willful misconduct of Tenant, its agents, employees or contractors, (iii) expenses incurred due to the negligence or willful misconduct of Landlord or its

respective agents or employees, (iv) costs incurred for repairs or replacements due to faulty construction or workmanship or due to the utilization of improper equipment or materials, (v) costs and interest thereon related to violations of Law by Landlord or the Leased Premises, unless incurred as the result of the negligence or willful misconduct of Tenant, its agents, employees or contractors, (vi) costs relating to controlling, removing, disposing or remediating any Hazardous Substances (as defined herein), or complying with any environmental laws or regulations, including, without limitation, costs related to conducting any environmental inspections, the removal of any underground storage tanks and the remediation of wetlands, unless the release of such Hazardous Substance or violation of law is caused by Tenant or its agents, employees or contractors, (vii) costs incurred by Landlord in complying with its obligations under Section 7.01(A), (viii) principal and interest payments related to any financing of the Land or any improvements on the Land, (ix) reserves, (x) administrative charges and management fees (except for the Fixed Management Fee), and (xi) financing costs.

Landlord agrees that should Landlord sell its entire interest in the Leased Premises, or otherwise assign its entire interest in this Lease to an unaffiliated third-party, then Tenant shall have the right to take over management of the Leased Premises by giving Landlord, or its successors and/or assigns, ninety (90) days written notice of such election.

B. Payment Obligation. In addition to the Minimum Annual Base Rent specified in this Lease, Tenant shall, commencing upon the Rent Commencement Date, pay to Landlord as additional rent for the Leased Premises, in each calendar year or partial calendar year during the Lease Term, an amount equal to the Operating Expenses for such calendar year, provided, however, that Tenant's obligation to pay for the portion of Operating Expenses that comprise water, sewer, electrical and other utility charges attributable to the warehouse portion of the Building (as described in the Project Description) shall commence on the date that the warehouse portion of the Building is delivered to the Tenant.

1. Payment of Operating Expenses – The Annual Rental Adjustment shall be reasonably estimated annually by Landlord, and written notice thereof shall be given to Tenant at least thirty (30) days prior to the beginning of each calendar year. In the case of the calendar year in which the Lease Term commences, written notice of the estimated Operating Expenses shall be given Tenant prior to the Completion Date. Tenant shall pay to Landlord each month, at the same time the Monthly Base Rental Installment is due, an amount equal to one-twelfth (1/12) of the estimated Annual Rental Adjustment.

2. Increase in Estimated Annual Rental Adjustment – If real estate taxes or the cost of utility services increase during a calendar year, Landlord may reasonably increase the estimated Annual Rental Adjustment during such year by giving Tenant written notice to that effect, and thereafter Tenant shall pay to Landlord, in each of the remaining months of such year, an amount equal to the amount of such increase in the estimated Annual Rental Adjustment divided by number of months remaining in such year.

3. Adjustment to Actual Annual Rental Adjustment – Within one hundred twenty (120) days after the end of each calendar year, Landlord shall prepare and deliver to Tenant a statement showing Tenant's actual Annual Rental Adjustment. If the actual Annual Rental Adjustment for the preceding calendar year is less than the estimated amount paid by Tenant during such year, Landlord shall refund the excess to Tenant simultaneously with Landlord's delivery of the annual statement. Within thirty (30) days after receipt of the aforementioned statement, Tenant shall pay to Landlord the amount, if any, by which Tenant's actual Annual Rental Adjustment for the preceding calendar year exceeded the estimated amount paid by Tenant during such year. If this Lease shall commence, expire or be terminated on any date other than the last day of a calendar year, then Tenant's Proportionate Share of Operating Expenses for such partial calendar year shall be prorated on the basis of the number of days during the year this Lease was in effect in relation to the total number of days in such year. Notwithstanding anything in this Lease to the contrary, Tenant shall not be responsible for paying any Operating Expenses or other charges not billed to Tenant within two (2) years after such charges were incurred by Landlord.

4. Maximum Increase in Operating Expenses – Tenant will be responsible for Tenant's Proportionate Share of real estate taxes, service payments in lieu of real estate taxes, insurance premiums, increases in the cost of utilities resulting from utility rate increases and snow removal costs ("Uncontrollable Expenses"), without regard to the level of increase in any or all of the above in any year or other period of time. Commencing on January 1, 2017, Tenant's obligation to pay all other Operating Expenses which are not Uncontrollable Expenses (herein "Controllable Expenses") shall be limited to a five percent (5%) per annum increase over the amount of the Controllable Expenses paid or reimbursed by Tenant for the immediately preceding calendar year. To the extent, however, that the amount of the Controllable Expenses for calendar year 2016 do not reflect a full and accurate accounting for the costs and expenses paid by Landlord in connection with its operating obligations under the terms of this Lease, in Landlord's reasonable opinion, then 2016 Controllable Expenses for purposes of the above five percent (5%) limitation shall be adjusted to an amount reasonably acceptable to Landlord and Tenant reflecting the proper amount of Controllable Expenses.

5. Tenant Verification – Landlord shall keep complete books and records in reasonable detail and copies of invoices regarding Operating Expenses for a period of two (2) years after the end of the year to which such books, records and invoices apply. In addition, Landlord shall furnish to Tenant tax bills evidencing payment and, on request, copies of applicable invoices. Tenant, its accountants or agents, shall have the right to inspect, at reasonable times and in a reasonable manner, such of Landlord's books of account and records as pertain to and contain information concerning the Operating Expenses in order to verify the amounts thereof. If Tenant's audit discloses an overpayment by Tenant of Operating Expenses, Landlord shall reimburse Tenant the amount of such overpayment within 30 days of such determination and if such overpayment is in excess of five percent (5%) of Operating Expenses for the year in question, then Landlord shall pay Tenant's accounting fees reasonably incurred in auditing the Operating Expenses, even if Tenant's auditor is paid on a contingency basis. If Tenant does not object to charges set forth in the Annual Rental Adjustment within one (1) year after receipt of the statement relating thereto, then Tenant shall be deemed to have approved all charges set forth therein and waived any rights to reimbursement relating thereto.

In the event Landlord and Tenant cannot agree on the amount of an overpayment as set forth in the immediately preceding paragraph, either party may require that the dispute be resolved as follows in the event the amount in dispute is less than $15,000.00: Landlord and Tenant shall mutually select one (1) certified property manager certified by the Institute of Real Estate Management not related, employed, or otherwise engaged by either of the parties. If the parties are unable to agree on a certified property manager, the parties shall request the Presiding Judge of the Cuyahoga County Common Pleas to select the certified property manager. The certified property manager shall determine if there was an overpayment and the amount of such overpayment based on the facts presented by Landlord and Tenant. The cost of such arbitration shall be paid by the non-prevailing party. The Certified Property Manager's decision shall be conclusive and binding on Landlord and Tenant.

6. Real Estate Taxes – Tenant's Right to Contest Real Estate Taxes. Landlord shall pay all real estate taxes (including, without limitation, special assessments) prior to delinquency and shall deliver to Tenant copies of tax bills when received by Landlord. Notwithstanding anything in this Lease to the contrary "real estate taxes" shall not include (i) any income, franchise, corporate, personal property, value added, capital levy, capital stock, rent, single business, gross receipts, excess profits, transfer, revenue, estate, inheritance, gift, devolution or succession tax payable by Landlord, or (ii) any fine, penalty, cost or interest for any Taxes that Landlord failed to timely pay. Landlord shall pay any real estate taxes or assessments payable in installments over the longest period permitted by law.

Tenant shall have the right (but not the obligation) for itself (or the right to cause Landlord) to contest, object to, or defend the legal validity or amount of real estate taxes for which Tenant is responsible under this Lease and may institute such proceeding as Tenant considers necessary with respect thereto, provided that Tenant gives Landlord written notice of such contest, objection or defense on or prior to March 31 of such year that Tenant elects to contest such taxes. Landlord shall join in any proceeding or contest brought by Tenant at the request of Tenant and use all reasonable efforts to cooperate with Tenant in said proceeding or contest, so long as Landlord is not required to bear any out of pocket cost of such proceeding or contest or any cost incurred in connection therewith. Landlord shall promptly pay to Tenant any tax rebate, adjustment, or refund collected by Landlord in respect of the Leased Premises relating to period when Tenant has paid real estate taxes pursuant to this Lease. During the pendency of the proceeding or after the final determination thereof, Tenant will reimburse Landlord for any reasonable out-of-pocket costs incurred by Landlord in connection with any such proceeding and for interest and/or penalties imposed or assessed in connection with such proceeding or contest within thirty (30) days after Landlord's billing to Tenant therefor, accompanied by reasonable proof of the expenditure.

Section 3.03. Late Charges. (a) If any installment of Rent or any other amount due from Tenant is not received by Landlord within five (5) days of the date due, such unpaid amount shall bear interest from the due date thereof to the date of payment at the rate of the greater of: (i) ten percent (10%) and (ii) the Prime Rate (defined below), plus four percent (4%), per annum until paid. For purposes of this Lease, the term "Prime Rate" shall mean the Prime Rate, as announced from time to time, in the current edition of *The Wall Street Journal*. Notwithstanding the foregoing, for the first occasion in any period of twelve (12) consecutive months, such interest shall apply only if Tenant fails to make the required payment within seven (7) days after Tenant's receipt of written notice of such delinquency.

If any installment of any amount due from Landlord is not received by Tenant within five (5) days of the date due, such unpaid amount shall bear interest from the due date thereof to the date of payment at the rate of the greater of: (i) ten percent (10%) and (ii) the Prime Rate, plus four percent (4%), per annum until paid. Notwithstanding the foregoing, for the first occasion in any period of twelve (12) consecutive months, such interest shall apply only if Landlord fails to make the required payment within seven (7) days after Landlord's receipt of written notice of such delinquency.

ARTICLE 4 - SECURITY DEPOSIT

[INTENTIONALLY OMITTED]

ARTICLE 5 - OCCUPANCY AND USE

Section 5.01. Occupancy. Tenant shall use and occupy the Leased Premises for the purposes set forth in the Basic Lease Provisions and shall not use the Leased Premises for any other purpose except with the prior written consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned.

Section 5.02. Covenants of Tenant Regarding Use. In connection with its use of the Leased Premises, Tenant agrees to do the following:

A. Tenant shall (i) use and maintain the Leased Premises and conduct its business thereon in a safe, careful, reputable and lawful manner, and (ii) comply with all laws, rules, regulations, orders, ordinances, directions and requirements of any governmental authority or agency, now in force or which may hereafter be in force, including without limitation those which shall impose upon Landlord or Tenant any duty with respect to or triggered by a change in the use or occupation of, or any improvement or alteration to, the Leased Premises, and (iii) comply with the terms and provisions of any covenants, conditions or restrictions imposed upon the Land or Building by any declaration or association relating to the Land; provided, however, the provisions of clause (ii) above shall not require Tenant to make any improvement or alteration to any component of the Leased Premises required to be maintained by Landlord at Landlord's sole cost and expense and the provisions of clause (iii) shall not increase Tenant's obligations or decrease Tenant's rights under this Lease.

B. Tenant shall not (i) use the Leased Premises for any unlawful purpose or act, (ii) knowingly commit or permit any damage to the Leased Premises, or (iii) do or permit anything to be done in or about the Leased Premises which constitutes a nuisance.

C. Tenant shall not overload the office space floors of the Leased Premises beyond their designed weight-bearing capacity, including an allowance for partition load provided that Landlord has notified Tenant of such weight-bearing capacity. Tenant shall not use the Leased Premises, or allow the Leased Premises to be used, for any purpose or in any manner which would cause Landlord to be unable to obtain fire and casualty insurance on the Building. Tenant shall reimburse Landlord as additional rent for any increase in insurance premiums charged during the Lease Term on the insurance carried by Landlord on the Building and attributable to the use being made of the Leased Premises by Tenant; provided that Landlord shall first notify Tenant of any proposed increase and Tenant shall not have commenced to alleviate the condition causing the increase in thirty (30) days after receipt of such notice.

D. Except as hereinafter set forth, Tenant shall not inscribe, paint, affix or display any signs, advertisements or notices on the exterior of the Building, except such tenant identification information which is in compliance with all Laws and set forth in the Plans and Specifications. Tenant shall be permitted to erect or install the maximum sized signage on the Building as code permits. If a sign variance is required under local code to accommodate Tenant's sign requirements, Landlord shall cooperate with Tenant in Tenant's efforts to obtain such variance. Tenant shall be permitted (at no cost to Tenant for the rights) to name the Building and, at Tenant's sole cost and expense, (i) put signs on the exterior of the Building and install monument signage at the entrance to the Building; provided Landlord approves such signs (which shall not be unreasonably withheld, conditioned or delayed) and such signs comply with all governmental laws and regulations and (ii) at any time remove and/or reinstall Tenant's signage, provided that Tenant shall repair any damage to the Leased Premises or the Building caused thereby.

Section 5.03. Access to and Inspection of the Leased Premises. Upon two (2) business days advance written notice (except in the case of an emergency when no notice or accompaniment by a representative of Tenant shall be required or routine maintenance to the Building exterior or the parking lot that does not unreasonably interfere or disrupt Tenant's operations in the Leased Premises (in which event only prior oral notice shall be required)) and subject to the reasonable security procedures of Tenant, Landlord, its employees and agents and any mortgagee of the Building shall have the right to enter any part of the Leased Premises at reasonable times for the purposes of examining or inspecting the same while accompanied by a representative of Tenant, showing the same to prospective purchasers, or mortgagees or prospective tenants (during the last twelve (12) months of the Lease Term only) and making such repairs, alterations or improvements to the Leased Premises or the Building as Landlord may deem necessary or desirable. If representatives of Tenant shall not be present to open and permit such entry into the Leased Premises when such entry is necessary due to an emergency, Landlord and its employees and agents may enter the Leased Premises by force. Landlord shall coordinate all maintenance inspections and maintenance work with Tenant and, if requested by Tenant, Landlord shall use commercially reasonable efforts to schedule maintenance inspections and maintenance work outside of normal business hours, but with respect to any entry onto the Leased Premises shall use commercially reasonable efforts to minimize interference with Tenant's business operations.

ARTICLE 6 - UTILITIES AND OTHER BUILDING SERVICES

Section 6.01. Services to be Provided. Except for Landlord's maintenance and repair obligations set forth in Article 7 of this Lease, Landlord shall have no obligation to provide any other service or utility to the Building or the Leased Premises.

Section 6.02. Utilities. All electrical, gas, water, sewer and other utilities serving the Building or the Leased Premises, including, but not limited to, landscaped and Parking Areas, shall be separately metered to the Leased Premises and shall be the sole responsibility of the Tenant; except that Landlord shall be solely responsible for hookup charges, tap in or tie in fees, impact fees.

ARTICLE 7 - REPAIRS, MAINTENANCE, ALTERATIONS, IMPROVEMENTS AND FIXTURES

Section 7.01. Repair and Maintenance of Building.

A. Structural Repairs, Roof and Roof Replacement. Except to the extent made necessary by the negligence, misuse or default of Tenant, its employees, agents, customers and invitees (but subject to the provisions of Section 8.04), Landlord shall, at its sole cost and expense, maintain, repair and replace the exterior and interior structural walls and components of the Building, and shall, if necessary, replace the roof (Tenant being responsible, as an Operating Expense, for the payment of maintenance, repair, preventative maintenance and inspections, provided that, in the case of such expenses exceeding (i) $25,000 in any Lease Year during the first five (5) Lease Years of the Lease Term; (ii) $35,000 in any Lease Year during the next succeeding five (5) Lease Years of the Lease Term and (iii) $45,000 during any Lease year of the Lease Term thereafter, any such expenses shall be treated as a Permitted Capital Item, to be reimbursed by Tenant as provided in Section 3.02.A.2.) as necessary to keep the same in a safe, clean and neat, and first class condition, in compliance with all Laws. In addition Landlord shall make all repairs and replacements otherwise required to be made by Tenant to the extent they are made necessary by the negligence, misuse or default of Landlord, its employees, agents, and contractors (but subject to the provisions of Section 8.04). In addition, Landlord shall make repairs as required pursuant to Section 2.02(K) hereof.

B. Parking Area Maintenance and Repair; Roof Maintenance and Repair. Except as set forth above, Landlord shall, as an Operating Expense, maintain, repair and replace, the Parking Areas, including landscaping and pavement, as necessary to keep the same in a safe, clean and neat, and first class condition in compliance with all Laws, including, but not limited to, keeping the parking areas and sidewalks reasonably free of snow and ice and keeping the parking area adequately drained, and striped. Tenant shall promptly notify Landlord of any needed repair or maintenance of which it becomes aware. Subject to Section 3.02, payment for such repairs and maintenance shall be included in Operating Expenses (or if made necessary by the negligence, misuse or default of Tenant, its employees, agents, customers and invitees shall be reimbursed by Tenant within thirty (30) days of invoice from Landlord).

C. Emergency Repairs by Tenant. Tenant may, in an emergency, immediately, but after an attempt to notify Landlord orally, make any repairs required of Landlord. Landlord shall reimburse Tenant for the cost of the maintenance, repairs, or replacements within thirty (30) days after receipt by Landlord of a statement therefor, including substantiation that the same were reasonable in cost and in scope; and if not reimbursed by Landlord, Tenant shall have the right to deduct the cost thereof from Base Rent. For purposes hereof, "emergency" means (a) any event which poses immediate threat of injury or damage to persons or property or (b) any event which, in Tenant's judgment, impairs or interferes with Tenant's ordinary business operations. In addition if Landlord fails to make any repair or replacement within thirty (30) days after receipt of notice, Tenant shall have the right to make such repair or replacement and Landlord shall reimburse Tenant for the cost of the repairs, or replacements within thirty (30) days after receipt by Landlord of a statement therefor, including substantiation that the same were reasonable in cost and in scope; and if not reimbursed by Landlord, Tenant shall have the right to deduct the cost from Base Rent.

D. Dissatisfaction With Services. If at any time, Tenant notifies Landlord that Tenant is not satisfied with the cost or quality of any service provided by the vendor performing any of Landlord's service, maintenance or repair obligations hereunder, Landlord and Tenant shall cooperate in good faith to compile a mutually acceptable bid list of new vendors to provide such service.

Section 7.02. Repair and Maintenance of Building. Except as expressly set forth in Section 7.01 as the obligation of the Landlord, Tenant shall maintain, repair and replace, at its sole cost and expense, the Building, including, but not limited to, all mechanical, electrical, fire, sprinkler, alarm, plumbing and other systems serving the Leased Premises (including all interior utility lines exclusively serving the Building and not the responsibility of the utility company) as necessary to keep and maintain same in good order, first class condition and repair, and in compliance with all Laws. Tenant shall maintain, at its sole cost and expense, during the Lease Term, a preventative maintenance and repair contract with a licensed heating, ventilation and air conditioning company, providing a minimum of two (2) inspections of all heating and air conditioning systems per Lease Year.

Section 7.03. Alterations or Improvements. Tenant may make, or may permit to be made, alterations or improvements to the Leased Premises, but only major exterior and structoral alterations if Tenant obtains the prior written consent of Landlord thereto, which shall not be unreasonably withheld, delayed or conditioned. Tenant may make interior changes relating to painting, wallpaper, carpeting and other cosmetic changes ("Cosmetic Changes") and non-structural interior alterations without Landlord's consent. Tenant shall secure all necessary permits and shall make the alterations and improvements in accordance with all applicable laws, regulations and building codes, in a good and workmanlike manner and quality equal to or better than the original construction of the Building. Landlord's approval of the plans, specifications and working drawings for Tenant's alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All alterations, additions or improvements shall be installed at Tenant's sole expense in compliance with all Laws and by a licensed contractor. Any alterations, improvements or utility installations in, on or about the

Leased Premises that Tenant shall desire to make which require Landlord's consent shall be presented to Landlord in written form with proposed detailed plans. Tenant shall promptly repair any damage to the Leased Premises or the Building caused by any such alterations or improvements. Any alterations or improvements to the Leased Premises paid for by Landlord, except Tenant's furniture, equipment, furnishings, fixtures and other personal property, shall become a part of the realty and the property of Landlord, and shall not be removed by Tenant. Subject to Section 2.04, Tenant has the option, but not the obligation, to remove alterations or improvements to the Leased Premises paid for by Tenant, provided Tenant shall repair any damage to the Leased Premises caused by such removal. For purposes of this Section 7.03, "Major" shall mean an alteration or improvement where the cost of such alteration or improvement exceeds one hundred thousand and 00/100 dollars ($100,000.00).

Section 7.04. Trade Fixtures. Any interior or exterior signs, any equipment, and any trade fixtures installed on the Leased Premises by Tenant at its own expense, such as movable partitions, counters, shelving, showcases, mirrors and the like, may be removed on the expiration or earlier termination of this Lease, provided that Tenant bears the cost of such removal, and necessary repairs at its own expense any and all damage to the Leased Premises resulting from such removal. If Tenant fails to remove any equipment or fixtures from the Leased Premises on the expiration or earlier termination of this Lease, all such equipment and trade fixtures shall become the property of Landlord provided, however, that Landlord may elect, by written notice to Tenant, to require that Tenant remove all or any portion of such signs or trade fixtures. Tenant shall, at its expense, promptly remove the same, and repair any damage resulting from Tenant's removal of its property.

ARTICLE 8 - FIRE OR OTHER CASUALTY: CASUALTY INSURANCE

Section 8.01. Substantial Destruction of the Building. If the Building is substantially destroyed or damaged (which as used herein, means destruction or material damage to at least seventy-five percent (75%) of the Building) by fire or other casualty ("Material Damage"), then Tenant may, at its option, terminate this Lease by giving written notice of such termination to Landlord within sixty (60) days after the date of such casualty. In the event of such termination as a result of Material Damage, rent shall be apportioned to and shall cease as of the date of such Material Damage. If Tenant does not exercise its option to terminate, then the Building and leasehold improvements and improvements and betterments shall be reconstructed and restored, at Landlord's expense, to substantially the same condition as it was prior to the casualty, provided that, if Tenant has made any additional Major improvements pursuant to Section 7.03 not known by Landlord, Tenant shall reimburse Landlord for the cost of reconstructing the same to the extent the insurance proceeds actually received by Landlord are insufficient to pay for such additional improvements. Landlord shall commence promptly and shall use reasonable diligence in completing such reconstruction and restoration. In the event of such reconstruction, rent and all other sums due hereunder shall be abated in the proportion which the approximate area of the damaged part bears to the total area in the Building from the date of the casualty until ninety (90) days after substantial completion of the reconstruction repairs or the date Tenant commences to use such damaged property, whichever first occurs; and this Lease shall continue in full force and effect for the balance of the term. All such repairs and/or restoration shall be done in material compliance with all Laws.

Section 8.02. Partial Destruction of the Building. If the Building is damaged by fire or other casualty and such damage does not constitute Material Damage, then such damaged part of the Building and the leasehold improvements and improvements and betterments shall be reconstructed and restored, at Landlord's expense, to substantially the same condition as it was prior to the casualty, provided that, if Tenant has made any additional Major improvements pursuant to Section 7.03 not known to Landlord, Tenant shall reimburse Landlord for the cost of reconstructing the same to the extent the insurance proceeds actually received by Landlord are insufficient to pay for such additional Major improvements. In such event rent and all other sums due hereunder shall be abated in the proportion which the approximate area of the damaged part bears to the total area in the Building from the date of the casualty until substantial completion of the reconstruction repairs or the date Tenant commences to use such damaged property, whichever first occurs; and this Lease shall continue in full force and effect for the balance of the term. Landlord shall commence promptly and use reasonable diligence in completing such reconstruction repairs. All such repairs and/or restoration shall be done in material compliance with all Laws.

Section 8.03. Destruction During Last Two Years of Lease Term. If either the Building or the Leased Premises are substantially destroyed or damaged (which as used herein, means destruction or damage to at least twenty-five percent (25%) of the Building) by fire or other casualty in the last two (2) years of the Lease Term, then Tenant may, at its option, terminate this Lease by giving written notice of such termination to Landlord within sixty (60) days after the date of such casualty. If Tenant does not elect to terminate the Lease in accordance with this Section 8.03, and does not, within said sixty (60)-day period exercise an extension option, Landlord may, at its option, terminate this Lease by giving written notice of such termination to Tenant within sixty (60) days after the date of such casualty. In addition if Landlord shall not commence repairs within three (3) months after the date of any damage to the Building or complete such repairs within one (1) year after the date of such damage, Tenant shall have the right to terminate this Lease by giving written notice to Landlord.

Landlord agrees that if Landlord has sold or transferred its entire interest in the Leased Premises, or otherwise assigned its entire interest in this Lease to an unaffiliated third-party, then, if the cost to repair any such damage is more than Twenty-Five Thousand Dollars ($25,000.00) then such insurance proceeds (the "Deposited Funds") shall be deposited with a bank which is a member of the local Clearinghouse Association (the "Qualified Depositary") and held in trust to be distributed like a construction loan is distributed as such repairs are made pursuant to such requirements that the Qualified Depositary shall reasonably impose. If this Lease is terminated, the Qualified Depositary shall have no further right or obligation, except to disburse the Deposited Funds as directed by Landlord and Tenant. The Qualified Depositary shall have the right to deduct from the Deposited Sums its reasonable charges for acting as depositary.

(a) Section 8.04. Waiver of Subrogation. Landlord and Tenant hereby release each other and each other's employees, agents, customers, invitees and contractors from any and all liability for any loss, damage, or injury to property occurring in, on, about, or to the Leased Premises, or the Building, the Parking Areas or personal property within the Building by reason of fire or other casualty which could be insured against under a Causes of Loss Special Form insurance policy endorsement regardless of cause, including the negligence of Landlord or Tenant and their respective employees, agents, customers, invitees or contractors, whether or not

such insurance is actually in force and effect, and agree that such insurance carried by either of them shall contain a clause whereby the insurer waives its right of subrogation against the other party. Because the provisions of this Section 8.04 are intended to preclude the assignment of any claim mentioned herein by way of subrogation or otherwise to an insurer or any other person, each party to this Lease shall give to each insurance company which has issued to it one or more policies of fire and all risk coverage insurance notice of the provisions of this Section 8.04 and have such insurance policies properly endorsed, if necessary, to prevent the invalidation of such insurance by reason of the provisions of this Section 8.04, including, without limitation, the amount of any deductible or self insurance maintained by the releasing party.

ARTICLE 9 - INDEMNIFICATION AND INSURANCE

Section 9.01. Indemnification.

A. By Tenant. Tenant does hereby indemnify, defend, forever save and hold Landlord and Landlord's agents, contractors, licensees, employees, directors, officers, partners and trustees (each a "Landlord Indemnified Party" and collectively, "Landlord Indemnified Parties") harmless from and against any and all damages, claims, losses, demands, costs, expenses (including reasonable attorneys' fees and costs), obligations, liens, liabilities, actions and causes of action, threatened or actual, which the Landlord Indemnified Parties may suffer or incur arising out of or in connection with Tenant exercising its rights under the Lease, Tenant's or Tenant's employees', contractors' or agents' use of the Leased Premises, the conduct of Tenant's business, any activity, work or things done, knowingly permitted or suffered by Tenant in the Leased Premises, the Building or done by Tenant, its employees, contractors or agents, on the Parking Areas or the Land, or Tenant's employees', contractors' or agents' nonobservance or nonperformance of any Laws by Tenant (except to the extent such observance is Landlord's obligation), or caused by any negligence of the Tenant's employees, contractors or agents; provided, however, Tenant's indemnity, defense and hold harmless obligation shall not apply to any liability from which Tenant has been released as provided in Section 8.04 or any damage, claim, loss, demand, cost, expense (including reasonable attorneys' fees and costs), obligations, liens, liabilities, actions and causes of action, threatened or actual, arising out of the act or omission of any Landlord Indemnified Party. Tenant further agrees that in case of any claim, demand, action or cause of action, threatened or actual, against a Landlord Indemnified Party upon which Tenant indemnifies Landlord pursuant to the immediately preceding sentence, Tenant, upon notice from Landlord or such Landlord Indemnified Party, shall defend the Landlord Indemnified Party at Tenant's expense. In the event Tenant does not provide such a defense against any and all such claims, demand, actions or causes of action, threatened or actual, then Tenant will, in addition to the above, pay each Landlord Indemnified Party the reasonable attorneys' fees, legal expenses and costs incurred by such Landlord Indemnified Party in providing or preparing such defense, and Tenant agrees to cooperate with the Landlord Indemnified Party in such defense, including, but not limited to, the providing of affidavits and testimony upon request of Landlord or the Landlord Indemnified Party.

B. By Landlord. Landlord does hereby indemnify, defend, forever save and hold Tenant and Tenant's agents, contractors, licensees, employees, directors, officers, members, partners and trustees (each a "Tenant Indemnified Party" and collectively, " Tenant Indemnified Parties") harmless from and against any and all damages, claims, losses, demands, costs, expenses (including reasonable attorneys' fees and costs), obligations, liens, liabilities, actions and causes of action, threatened or actual, which the Tenant Indemnified Parties may suffer or incur arising out of or in connection any activity, work or things done, knowingly permitted or suffered by Landlord in the Leased Premises, the Building or done by Landlord, its employees, contractors or agents, on the Parking Areas or the Land, or Landlord's employees', contractors' or agents' nonobservance or nonperformance of any Laws by Landlord (except to the extent such observance is Tenant's obligation), or caused by any negligence of the Landlord's employees, contractors or agents; provided, however, Landlord's indemnity, defense and hold harmless obligation shall not apply to any liability from which Landlord has been released as provided in Section 8.04 or any damage, claim, loss, demand, cost, expense (including reasonable attorneys' fees and costs), obligations, liens, liabilities, actions and causes of action, threatened or actual, arising out of the act or omission of any Tenant Indemnified Party. Landlord further agrees that in case of any claim, demand, action or cause of action, threatened or actual, against a Tenant Indemnified Party upon which Landlord indemnifies Tenant pursuant to the immediately preceding sentence, Landlord, upon notice from Tenant or such Tenant Indemnified Party, shall defend the Tenant Indemnified Party at Landlord's expense. In the event Landlord does not provide such a defense against any and all such claims, demand, actions or causes of action, threatened or actual, then Landlord will, in addition to the above, pay each Tenant Indemnified Party the reasonable attorneys' fees, legal expenses and costs incurred by such Tenant Indemnified Party in providing or preparing such defense, and Landlord agrees to cooperate with the Tenant Indemnified Party in such defense, including, but not limited to, the providing of affidavits and testimony upon request of Tenant or the Tenant Indemnified Party.

Section 9.02. Tenant's Insurance. Tenant shall at all times during the Lease Term carry, at its own expense, one or more policies of commercial general liability and property damage insurance, issued by one or more insurance companies rated A-/VIII or better by A.M. Best, with the following minimum coverages against loss of or damage or injury to any person (including death resulting therefrom) or property occurring in, on or about the Leased Premises:

A.	Worker's Compensation	-	minimum statutory amount.
B.	Commercial General Liability Insurance, including Blanket, Contractual Liability Broad Form Property Damage, Personal Injury, Completed Operations, Products Liability, Fire Damage.	-	not less than $5,000,000 Combined Single Limit for both bodily injury and property damage.

C. Fire and Extended Coverage, Vandalism and Malicious Mischief, and Sprinkler Leakage insurance, for the full cost of replacement of Tenant's personal property located on or in the Leased Premises. Tenant may self-insure such coverage, provided that Tenant provides reasonable evidence of Tenants' self insurance program and such program is acceptable to Landlord, in Landlord's reasonable discretion.

Such liability insurance policy or policies shall protect Tenant and Landlord as their interests may appear, naming Landlord and Landlord's managing agent and mortgagee as additional insureds and shall provide that they may not be cancelled on less than thirty (30) days prior written notice to Landlord or Landlord's mortgagee. Tenant shall furnish Landlord with Certificates of Insurance evidencing such coverage. Should Tenant fail to carry such insurance and furnish Landlord with Certificates of Insurance after a request to do so, Landlord shall have the right to obtain such insurance and collect the cost thereof from Tenant as additional rent.

Notwithstanding anything to the contrary contained in Article 9, Tenant may, at its option, satisfy any or all of its obligations to insure with (a) a so-called "blanket" policy or policies of insurance, or (b) an excess or umbrella liability policy or policies of insurance, now or hereafter carried and maintained by Tenant; provided, however, that Landlord and any additional party named pursuant to the terms of this Lease shall be named as additional insured thereunder, and provided that the coverage afforded Landlord and any additional insureds shall not be reduced or diminished by reason of the use of any such blanket or umbrella policy or policies and that all the requirements set forth in this Article 9 are otherwise satisfied.

Section 9.03. Landlord's Insurance. Landlord shall during construction carry a policy of Builder's Risk insurance and at all times during the Lease Term carry a policy of insurance which insures the Building, Parking Areas and the Tenant's leasehold improvements and improvements and betterments against loss or damage by fire or other casualty (namely, the perils against which insurance is afforded by a Causes of Loss Special Form insurance policy) for at least the full replacement value thereof; provided, however, that Landlord shall not be responsible for, and shall not be obligated to insure against, any loss of or damage to any personal property of Tenant or which Tenant may have in the Building or the Leased Premises including any trade fixtures installed by or paid for by Tenant on the Leased Premises. Tenant shall be an additional insured and loss payee under such policy, as their interest may appear. Such policy shall not be modified without giving Tenant at least thirty (30) days' notice. Landlord shall furnish Tenant with Certificates of Insurance evidencing such coverage.

Landlord shall provide and maintain commercial general liability insurance with respect to the Parking Areas with a combined single limit of not less than Five Million Dollars ($5,000,000), including insurance against the assumed or contractual liability of Landlord hereunder for bodily injury, death, and property damage. Such insurance policy or policies shall protect Tenant and Landlord as their interests may appear, naming Tenant as an additional insured and shall provide that it may not be cancelled on less than thirty (30) days prior written notice to Tenant. Landlord shall furnish Tenant with Certificates of Insurance evidencing such coverage.

Notwithstanding anything to the contrary contained in Section 9.03, Landlord may, at its option, satisfy any or all of its obligations to insure with (a) a so-called "blanket" policy or policies of insurance, or (b) an excess or umbrella liability policy or policies of insurance, now or hereafter

carried and maintained by Landlord; provided, however, that Tenant shall be named as additional insured and loss payee thereunder, and provided that the coverage afforded Tenant and any additional insureds shall not be reduced or diminished by reason of the use of any such blanket or umbrella policy or policies and that all the requirements set forth in this Section 9.03 are otherwise satisfied. Subject to Tenant's approval, Landlord may have a deductible under such policies. Landlord's policies of insurance shall be issued by one or more insurance companies rated [A-/VIII or better] by A.M. Best and shall be written by an insurance company licensed to do business in Ohio.

ARTICLE 10 - EMINENT DOMAIN

If the whole or any substantial part of the Leased Premises (such that the remaining part of the Leased Premises would be inadequate for use by Tenant for the purpose for which they were leased) shall be taken for public or quasi-public use by a governmental or other authority having the power of eminent domain or shall be conveyed to such authority in lieu of such taking, then Landlord shall have the option to terminate this Lease upon thirty (30) days written notice from Landlord to Tenant. In the event Landlord does not exercise such option, and if such taking or conveyance would cause the remaining part of the Leased Premises to be inadequate for use by Tenant for the purpose for which they were leased, then Tenant may, at its option, terminate this Lease as of the date Tenant is required to surrender possession of the Leased Premises by giving Landlord written notice of such termination. If a part of the Leased Premises shall be taken or conveyed but the remaining part is tenantable and adequate for Tenant's use, then this Lease shall be terminated as to the part taken or conveyed as of the date Tenant surrenders possession; Landlord shall make such repairs, alterations and improvements as may be necessary to render the part not taken or conveyed tenantable within one hundred twenty (120) days after such taking, to the extent reasonably practicable; and the rent shall be reduced in proportion to the part of the Leased Premises so taken or conveyed and temporarily reduced to the extent unusable during the reconstruction. All compensation awarded for such taking or conveyance shall be the property of Landlord without any deduction therefrom for any present or future estate of Tenant, and Tenant hereby assigns to Landlord all its rights, title and interest in and to any such award. However, Tenant shall have the right to recover from such authority, but not from Landlord, such compensation as may be awarded to Tenant on account of procuring, designing, moving and relocation expenses, as well as any unamortized amounts of Excess Costs and Additional Parking Costs, if applicable.

ARTICLE 11 - LIENS

If, because of any act or omission of Tenant or any person claiming by, through, or under Tenant, any mechanic's lien or other lien shall be filed against the Leased Premises or the Building or against other property of Landlord (whether or not such lien is valid or enforceable as such), Tenant shall, at its own expense, cause the same to be discharged of record within thirty-five (35) days after the date Tenant has notice from Landlord of filing thereof, and shall also indemnify Landlord and hold it harmless from any and all claims, losses, damages, judgments, settlements, costs and expenses, including reasonable attorneys' fees, resulting therefrom or by reason thereof. If Tenant shall not cause a lien to be discharged within fifteen (15) days after Tenant's receipt of a second notice, Landlord may, but shall not be obligated to, bond such lien so that it is released of record and, if Landlord does so, then Tenant shall pay to Landlord, upon demand, the cost of such bond, plus all other out of pocket costs and expenses incurred in connection therewith.

ARTICLE 12 - RENTAL, PERSONAL PROPERTY AND OTHER TAXES

To the extent Tenant's failure to pay the same may result in a lien on the Leased Premises, Tenant shall pay before delinquency any and all taxes, assessments, fees or charges, including any sales, gross income, rental, business occupation or other taxes, levied or imposed upon Tenant's business operations in the Leased Premises and any personal property or similar taxes levied or imposed upon Tenant's trade fixtures or other personal property located within the Leased Premises. In the event any such taxes, assessments, fees or charges are charged to the account of, or are levied or imposed upon the property of Landlord, Tenant shall reimburse Landlord for the same as additional rent. Notwithstanding the foregoing, Tenant shall have the right to contest in good faith any such item and to defer payment until after Tenant's liability therefor is finally determined so long as Landlord is held harmless from any liability through bonding or such other security as is reasonably appropriate.

ARTICLE 13 - ASSIGNMENT AND SUBLETTING

Section 13.01. Assignment and Subletting. Except as hereinafter set forth, Tenant may not assign or sublet this Lease or any part thereof, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned; and any attempted assignment without such consent shall be invalid. In the event of a permitted (pursuant to any provision of this Lease) assignment or subletting, Tenant shall at all times remain fully responsible and liable for the payment of rent and the performance and observance of all of Tenant's other obligations under the terms, conditions and covenants of this Lease, unless the assignee has or achieves a tangible net worth of at least Fifty Million and 00/100 Dollars ($50,000,000.00) (the "Minimum Net Worth"), in which event Tenant shall automatically be released from all subsequent liabilities. Upon the occurrence of an event of default beyond any notice and cure period, if all or any part of the Leased Premises are then assigned or sublet, Landlord, in addition to any other remedies provided by this Lease or by law, may, at its option, collect directly from the assignee or subtenant all rent becoming due to Landlord by reason of the assignment or subletting. Any collection by Landlord from the assignee or subtenant shall not be construed to constitute a waiver or release of Tenant from the further performance of its obligations under this Lease or the making of a new lease with such assignee or subtenant.

Any request for consent delivered by Tenant to Landlord shall be in writing, accompanied by (i) all information available to Tenant relating to the responsibility, financial condition and business of the proposed assignee or subtenant; (ii) a copy of the offer, certified by Tenant to be true and complete, and (iii) a copy of the proposed sublease agreement or assignment instrument to be executed by the parties.

Section 13.02. Permitted Transfers. Notwithstanding anything to the contrary, Landlord's consent shall not be required for (a) Tenant to assign, transfer or otherwise convey this Lease or sublet all or any portion of the Leased Premises in connection with a merger, consolidation or reorganization of Tenant with an unaffiliated party or a sale or transfer of all or a substantial portion of the assets of Tenant; or (b) the transfer to an unaffiliated third-party of stock or

membership interests of Tenant or a public offering by Tenant; or (c) Tenant to assign or sublet to an Affiliate. For the purposes of this Lease, the term "Affiliate" shall mean Tenant's parent or any division, subsidiary or Affiliate of Tenant, or any other entity controlling, controlled by, or under common control or ownership with Tenant, Tenant's parent or any successor to any of the aforesaid.

ARTICLE 14 - TRANSFERS BY LANDLORD

Section 14.01. Sale and Conveyance of the Building. Subject to the right of Tenant to purchase the Building under Sections 19.02, Landlord shall have the right to sell, convey or transfer its interest in the Building and the Land or the control thereof at any time during the Lease Term; and such sale and conveyance or other transfer of Landlord's interest or control of the Building or Land shall operate to release Landlord's interest from liability hereunder arising after the date of such conveyance as provided in Section 15.04.

Section 14.02. Subordination. Provided Landlord delivers to Tenant an executed, recordable agreement from the holder of a mortgage in the form attached hereto as **Exhibit E** (an "SNDA''), Landlord shall have the right to subordinate this Lease to the mortgage of any such holder. Notwithstanding the foregoing, no default by Landlord under any such mortgage shall affect Tenant's rights hereunder so long as Tenant is not in default under this Lease beyond any notice and cure period. Tenant shall, in the event any proceedings are brought for the foreclosure of any such mortgage, attorn to the purchaser upon any such foreclosure and recognize such purchaser as the landlord under this Lease. Notwithstanding the foregoing, the holder of any such mortgage shall have the right to subordinate such mortgage to this Lease on such terms and subject to such conditions as such holder shall deem appropriate in its discretion, and Tenant shall execute any instruments necessary to evidence such subordination provided Tenant receives a non disturbance agreement reasonably acceptable to Tenant.

Within thirty (30) days after Landlord's execution of this Lease, Landlord shall provide Tenant with an SNDA in form as set forth on Exhibit E, signed by the holder of the mortgage encumbering the Land as of the date hereof.

ARTICLE 15 - DEFAULTS AND REMEDIES

Section 15.01. Defaults by Tenant. The occurrence of any one or more of the following events after any applicable cure period shall be a default (the term "default" shall mean and include the expiration of any applicable cure period set forth in this Lease) under and breach of this Lease by Tenant:

A. Tenant shall fail to pay any Monthly Base Rental Installment of Minimum Annual Base Rent or the Annual Rental Adjustment or any other amounts due hereunder within seven (7) days after written notice from Landlord of such default; provided, however, Landlord shall only be obligated to provide such notice twice during any Lease Year.

B. Tenant shall fail to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease for a period of thirty (30) days after notice thereof from Landlord; unless Tenant shall fail commence such performance within said thirty-day period and thereafter diligently undertake to complete the same and does so complete the required action within a reasonable time.

C. A trustee or receiver shall he appointed to take possession of substantially all of Tenant's assets in, on or about the Leased Premises or of Tenant's interest in this Lease (and Tenant does not regain possession within ninety (90) days after such appointment); Tenant makes an assignment for the benefit of creditors; or substantially all of Tenant's assets in, on or about the Leased Premises or Tenant's interest in this Lease are attached or levied under execution (and Tenant does not discharge the same within one hundred twenty (120) days thereafter).

D. A petition in bankruptcy, insolvency, or for reorganization or arrangement is filed by or against Tenant pursuant to any federal or state statute (and, with respect to any such petition filed against it, Tenant fails to secure a stay or discharge thereof within one hundred twenty (120) days after the filing of the same).

Section 15.02. Remedies of Landlord. Upon the occurrence of any event of default set forth in Section 15.01, Landlord shall have the following rights and remedies, in addition to those allowed by law, any one or more of which may be exercised without further notice to or demand upon Tenant;

A. Landlord may re-enter the Leased Premises and cure any default of Tenant, in which event Tenant shall reimburse Landlord as additional rent for any reasonable out of pocket costs and expenses which Landlord may incur to cure such default.

B. Landlord may terminate this Lease as of the date of such default, in which event: (i) neither Tenant nor any person claiming under or through Tenant shall thereafter be entitled to possession of the Leased Premises, and Tenant shall immediately thereafter surrender the Leased Premises to Landlord; (ii) Landlord may re-enter the Leased Premises and dispossess Tenant or any other occupants of the Leased Premises using judicial process, and may remove their effects, without prejudice to any other remedy which Landlord may have for possession or arrearages in rent; and (iii) notwithstanding the termination of this Lease, Landlord may declare the present value of all rent which would have been due under this Lease for the balance of the term in excess of the present value (using the then current Prime Rate plus four percent (4%) as the discount rate) of all rent which Tenant proves Landlord could have collected during such period to be immediately due and payable subject to any mitigation, whereupon Tenant shall be obligated to pay the same to Landlord, together with all loss or damage which Landlord may sustain by reason of such termination, it being expressly understood and agreed that the liabilities and remedies specified in this subsection (B)(1) of Section 15.02 shall survive the termination of this Lease; or

C. Landlord may, without terminating this Lease, re-enter the Leased Premises and re-let all or any part of the Leased Premises for a term different from that which would otherwise have constituted the balance of the Lease Term and for rent and on terms and conditions different from those contained herein, whereupon Tenant shall immediately be obligated to pay to Landlord as liquidated damages the net present value (using Prime Rate as the

discount rate) difference between the rent provided for herein and that provided for in any lease covering a subsequent re-letting of the Leased Premises, for the period which would otherwise have constituted the balance of the Lease Term, together with all of Landlord's reasonable costs and expenses for preparing the Leased Premises for re-letting, including all repairs, tenant finish improvements not reimbursed by the new tenant, brokers' and attorneys' fees, and all loss or damage which Landlord may sustain by reason of such re-entry and re-letting.

D. Landlord or Tenant may sue for injunctive relief or to recover damages for any loss resulting from the other party's breach.

Landlord shall, in any event, use good faith, commercially reasonable efforts to mitigate its damages and re-rent the Leased Premises in the event of a default by Tenant.

Section 15.03. Default by Landlord and Remedies of Tenant. In the event Landlord fails to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease within thirty (30) days after Tenant has provided Landlord with written notice of such failure (or within a reasonable time if such failure cannot be reasonably performed within such thirty (30) day period and Landlord commences such performance within such thirty (30) day period and thereafter diligently pursues such cure to completion within a reasonable time), Tenant, in addition to any other rights and remedies available in law, shall have the right (but not the obligation), to cure such failure and Landlord shall reimburse Tenant for the reasonable costs incurred by Tenant in connection with such cure within thirty (30) days after demand therefor by Tenant; and if Landlord shall not reimburse Tenant within such thirty (30) day period, Tenant have the right to set-off such amount against Base Rent.

Section 15.04. Limitation of Landlord's Liability. If Landlord shall fail to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease, and if Tenant shall, as a consequence thereof, recover a money judgment against Landlord, Tenant agrees that Landlord shall have no personal liability, and Tenant shall look solely to Landlord's interest in and to the Leased Premises and the rents, proceeds and profits thereof for the collection of such judgment; and Tenant further agrees that no other assets of Landlord shall be subject to levy, execution or other process for the satisfaction of Tenant's judgment and that Landlord shall not be liable for any deficiency.

The references to "Landlord" in this Lease shall be limited to mean and include only the owner or the owners of the fee or ground lease interest in the Building. In the event of a sale or transfer of such interest (except a mortgage or other transfer as security for a debt), the "Landlord" initially named herein, or in the case of a subsequent transfer, the transferor, shall, after the date of such transfer, be automatically released from all personal liability for the performance or observance of any term, condition, covenant or obligation required to be performed or observed by Landlord hereunder arising after the date of such transfer provided such is expressly assumed by the transferee; and the transferee shall be deemed to have assumed all of such terms, conditions, covenants and obligations.

Section 15.05. Non-Waiver of Defaults. The failure or delay by either party hereto to exercise or enforce at any time any of the rights or remedies or other provisions of this Lease shall not be

construed to be a waiver thereof, nor affect the validity of any part of this Lease or the right of either party thereafter to exercise or enforce each and every such right or remedy or other provision. No waiver of any default and breach of the Lease shall be deemed to be a waiver of any other or further default and breach. The receipt by Landlord of less than the full rent due shall not be construed to be other than a payment on account of rent then due, nor shall any statement on Tenant's check or any letter accompanying Tenant's check be deemed an accord and satisfaction, and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of the rent due or to pursue any other remedies provided in this Lease. The receipt by Tenant of less than the full amount due Tenant shall not be construed to be other than a payment on account of the amount then due, nor shall any statement on Landlord's check or any letter accompanying Landlord's check be deemed an accord and satisfaction, and Tenant may accept such payment without prejudice to Tenant's right to recover the balance of the amount due or to pursue any other remedies provided in this Lease, in law or equity.

Section 15.06. Attorneys' Fees. In the event either party defaults in the performance or observance of any of the terms, conditions, covenants or obligations contained in this Lease and the non-defaulting party employs attorneys to litigate such default, non-prevailing party agrees to reimburse the prevailing party for the attorney's fees and reasonable costs incurred thereby.

Section 15.07. Force Majeure. Notwithstanding any other provision contained in this Lease or elsewhere, but subject to the terms of Section 2.02(L), Landlord or Tenant shall not be chargeable with, liable for, or responsible to the other for anything or in any amount for any failure to perform or delay caused by fire, earthquake, explosion, flood, hurricane, the elements, acts of God or the public enemy, action, restrictions, limitations, or interference of governmental authorities or agents, delays in the issuance of permits or granting of approvals due to the failure of the applicable governmental authority, or its agents, to respond, or its delay in responding to proper submissions, applications or requests for action by Landlord or its agents, war, invasion, insurrection, rebellion, riots, strikes or lockouts shortages of labor or materials or any other cause whether similar or dissimilar to the foregoing which is beyond the reasonable control of Landlord or Tenant (each a "Force Majeure Event") and any such failure or delay due to said causes or any of them shall not be deemed a breach of or default in the performance of this Lease. In the event that Tenant is delayed due to the events stated above, the Rent Commencement Date shall be extended by the number of days of such delay.

ARTICLE 16 - TENANT'S RESPONSIBILITY REGARDING ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES

Section 16.01. Environmental Definitions.

A. "Environmental Laws" - All present or future federal, state and municipal laws, ordinances, rules and regulations applicable to the environmental and ecological condition of the Leased Premises, including the rules and regulations of the United States Environmental Protection Agency or of any other federal, state or municipal agency or governmental board or entity having jurisdiction over the Leased Premises.

B. “Hazardous Substances” - Those substances included within the definitions of “hazardous substances”, “hazardous materials”, ‘‘toxic substances” “solid waste" or “infectious waste” under Environmental Laws.

Section 16.02. Compliance.

A. By Tenant. Subject to the provisions of Section 16.02.B., below, Tenant, at its sole cost and expense, shall promptly comply with the Environmental Laws including any notice issued by any governmental agency or board pursuant to the Environmental Laws, which shall impose any duty upon Tenant with respect to the use and occupancy of the Leased Premises whether such notice shall be served upon Landlord or Tenant; provided, however that Tenant shall have the right to contest the validity of any such notice but shall comply therewith pending the determination of such validity; provided that Tenant may seek a stay of any obligation to comply with such notice from any governmental agency or board at Tenant’s sole cost and expense, provided that (i) Tenant shall be liable to Landlord for any loss or damages suffered by Landlord (including, without limitation, damage to the Building or Common Areas) as a result of such stay and (ii) the Tenant’s obligations under this Article 16, including, without limitation, its indemnification obligations, shall continue in full force and effect notwithstanding such stay.

B. By Landlord. Landlord, at its sole cost and expense, shall promptly comply with the Environmental Laws including any notice issued by any governmental agency or board pursuant to the Environmental Laws, (i) relating to any Hazardous Substances existing at the Leased Premises on or prior to the date of this Lease, and (ii) relating to the existence of any Hazardous Substances existing at the Leased Premises after the date of this Lease, the presence of which resulted from the acts or omissions of any person or entity other than Tenant, its agents, employees, or contractors; provided, however that Landlord shall have the right to contest the validity of any such notice but shall comply therewith pending the determination of such validity; provided that Landlord may seek a stay of any obligation to comply with such notice from any governmental agency or board at Landlord’s sole cost and expense, provided that (i) Landlord shall be liable to Tenant for any loss or damages suffered by Tenant (including, without limitation, damage to the Building or Common Areas) as a result of such stay and (ii) the Landlord’s obligations under this Article 16, including, without limitation, its indemnification obligations, shall continue in full force and effect notwithstanding such stay.

Section 16.03. Restrictions. (a) Tenant shall operate its business in material compliance with all Environmental Laws. Tenant shall not cause or permit (to the extent such is within the reasonable control of Tenant or Tenant’s employees, agents, contractors and licensees) the use, generation, release, manufacture, refining, production, processing, storage or disposal of any Hazardous Substances on, under or about the Leased Premises, or the transportation to or from the Leased Premises of any Hazardous Substances, except as necessary and appropriate for its Permitted Use in which case the use, storage or disposal of such Hazardous Substances shall be performed in compliance with the Environmental Laws and good management practices prevailing in the industry.

(b) Landlord shall conduct its activities in the Leased Premises in material compliance with all Environmental Laws. Landlord shall not cause or permit (to the extent such is within the reasonable control of Landlord or Landlord's employees, agents, contractors and licensees) the use, generation, release, manufacture, refining, production, processing, storage or disposal of any Hazardous Substances on, under or about the Leased Premises, or the transportation to or from the Leased Premises of any Hazardous Substances, except as necessary and appropriate for performing its activities on the Leased Premises, in which case the use, storage or disposal of such Hazardous Substances shall be performed in compliance with the Environmental Laws and good management practices prevailing in the industry.

Section 16.04. Notices, Affidavits, Etc. Tenant shall promptly notify Landlord of (i) any violation by Tenant, its employees, agents, representatives, customers, invitees or contractors of the Environmental Laws on, under or about the Leased Premises, or (ii) the presence or suspected presence of any Hazardous Substances in violation of Section 16.03 on, under or about the Leased Premises and shall promptly deliver to Landlord any notice received by Tenant relating to (i) and (ii) above from any source. Tenant shall provide all information in its possession, including executing affidavits, representations and the like reasonably requested by Landlord within twenty (20) days of Landlord's request therefor concerning Tenant's best knowledge and belief regarding the presence of any Hazardous Substances on, under or about the Leased Premises.

Section 16.05. Landlord's Rights. Subject to the provisions of Section 5.03, Landlord and its agents shall have the right, but not the duty, to inspect the Leased Premises and conduct tests thereon to determine whether or the extent to which there has been a violation of Environmental Laws by Tenant or whether there are Hazardous Substances on, under or about the Leased Premises.

Section 16.06. Tenant's Indemnification. Tenant shall indemnify, defend and hold harmless Landlord, Landlord's managing agent and Landlord's officers, directors, shareholders, employees and agents from any and all claims, losses, liabilities, costs, expenses and damages, including reasonable attorneys' fees, costs of testing and remediation costs, incurred by Landlord in connection with any breach by Tenant of its obligations under this Article 16. The covenants and obligations under this Article 16 with respect to matters arising during the Lease Term shall survive the expiration or earlier termination of this Lease.

Section 16.07. Landlord's Agreements Regarding Hazardous Substances. Landlord represents and warrants, to Landlord's actual knowledge, that (a) no leak, spill, release, generation, discharge, emission or disposal of Hazardous Substances has occurred on the Land prior to the date of this Lease; (b) there are no buried, partially buried, above-ground or other tanks, storage vessels, drums or containers located in or on the Leased Premises; (c) Landlord has received no warning, notice, notice of violation, administrative complaint, judicial complaint or formal or informal notice alleging that conditions on the Leased Premises are in violation of any Environmental Laws. Landlord shall indemnify, defend and hold harmless Tenant and Tenant's members, officers, directors, shareholders, employees and agents from any and all claims, losses, liabilities, costs, expenses and damages, including reasonable attorneys' fees, caused by (x) the breach by Landlord of the representation made in the preceding sentence; (y) any breach by

Landlord of its obligations under Section 16.03(b); or (z) the leakage, spillage, discharge, or release of any Hazardous Substance as a result of Landlord's, its agents, employees, or contractor's acts or omissions. Landlord covenants and agrees that to the extent it cleans up, removes and/or remediates any contamination, it will use commercially reasonable efforts to minimize any resulting interference with Tenant's operations on the Leased Premises. This Section 16.07 shall survive the termination or expiration of this Lease.

ARTICLE 17 - NOTICE AND PLACE OF PAYMENT

Section 17.01. Notices. Any notice required or permitted to be given under this Lease or by law shall be deemed to have been given if it is written and delivered by (a) nationally recognized overnight courier or (b) Registered or Certified mail, postage prepaid. The effective date of any notice given via overnight courier or Registered or Certified mail shall be the date of the receipt. Rejection or other refusal to accept notice shall be deemed to be receipt as of the date of rejection or refusal. The address specified in the Basic Lease Provisions may be changed by giving written notice thereof to the other party.

Section 17.02. Place of Payment. All rent and other payments required to be made by Tenant to Landlord shall be delivered or mailed to Landlord at the address specified in the Basic Lease Provisions or to Landlord's management agent at any other address Landlord may specify from time to time by written notice given to Tenant.

ARTICLE 18 - MISCELLANEOUS GENERAL PROVISIONS

Section 18.01. Condition of Premises. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Leased Premises or the Building or with respect to the suitability or condition of any part of the Building for the conduct of Tenant's business except as provided in this Lease.

Section 18.02. [Intentionally Omitted]

Section 18.03. Choice of Law. This Lease shall be governed by and construed pursuant to the laws of the State of Ohio.

Section 18.04. Successors and Assigns. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

Section 18.05. Time. Time is of the essence of this Lease and each and all of its provisions.

Section 18.06. Defined Terms and Marginal Headings. The words "Landlord" and "Tenant: used herein shall include the plural as well as the singular. If more than one person is named as the initial Tenant, the obligations of such persons are joint and several. The marginal headings and titles to the articles, sections and paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

Section 18.07. Prior Agreements. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest.

Section 18.08. Severability of Invalid Provisions. If any provision of this Lease shall be held to be invalid, void or unenforceable, the remaining provisions hereof shall not be affected or impaired, and such remaining provisions shall remain in full force and effect.

Section 18.09. Definition of the Relationship between the Parties. Landlord shall not, by virtue of the execution of this Lease or the leasing of the Leased Premises to Tenant, become or be deemed a partner of or joint venture with Tenant in the conduct of Tenant's business on the Premises or otherwise.

Section 18.10. Estoppel Certificate. Each party shall, within twenty (20) days following receipt of a written request of the other party, deliver a written instrument to the other party or to any other person or firm specified by such other party, a written statement, in substantially the form of **Exhibit F.**

Section 18.11 Recordation of Lease. Neither party shall record this Lease. At the request of either party, however, the parties shall promptly execute, acknowledge and delivery to each other a short-form memorandum of lease in substantially the form attached hereto as **Exhibit G,** which may be recorded by either party.

ARTICLE 19 - ADDITIONAL PROVISIONS

Section 19.01. Option to Extend.

A. Grant and Exercise of Option. Provided Tenant is not in default hereunder as of the date it exercises the option granted herein, Tenant shall have the option to extend the original Lease Term (the "Original Term") for one (1) additional period of ten (10) years, followed by two (2) additional periods of five (5) years each (the "Extension Term(s)"). Each Extension Term shall be upon the same terms and conditions contained in the Lease for the Original Term except (i) this provision giving extension options shall be amended to reflect the remaining options to extend, if any and (ii) the Minimum Annual Base Rent shall be adjusted as set forth below (the "Rent Adjustment"). Tenant shall exercise such option by delivering to Landlord, no later than nine (9) months prior to the expiration of the Original Term or such Extension Term ("Exercise Date"), as the case may be, written notice of Tenant's desire to extend the Lease Term.

   If Tenant properly exercises its option to extend, Landlord and Tenant shall execute an amendment to the Lease reflecting the terms and conditions of the Extension Term.

B. Rent Adjustment. The Minimum Annual Base Rent for each five year Extension Term shall be adjusted to the then fair market rent. Within a twenty-one (21) day period following Landlord's receipt of Tenant's notice pursuant to Paragraph 19.01A. that Tenant desires extend the then Term of the Lease for one of the additional five (5) year

periods referenced in Section 19.01A., the parties shall confer and attempt to reach agreement as to the fair market rent of the Leased Premises. If Landlord and Tenant cannot reach a determination of such fair market rent within the twenty-one (21) day conference period, then, within ten (10) days after such twenty-one (21) day conference period, Landlord and Tenant will each select and retain an independent MAI certified real estate appraiser, which appraiser has the qualifications set forth below. Each selected appraiser will be paid by the party employing the appraiser and will furnish each party a written determination within thirty (30) days.

a. If the determinations of the two (2) selected appraisers are within ten percent (10%) of each other, then fair market rent will be the average of the two (2) determinations. If the two (2) selected appraisers do not agree within ten percent (10%) on a fair market rent, a third (3rd) independent MAI appraiser, with the qualifications set forth below will be appointed within ten (10) days by the two selected appraisers. The appointed appraiser will be paid equally by each party and will independently select one (1) of the determinations of fair market rent submitted by the first two (2) appraisers, and notify Landlord and Tenant in writing of such decision, within thirty (30) days after his/her appointment, provided, however, that in no event shall the Minimum Annual Base Rent for either of the five (5) year extension terms increase over that in the immediately prior period by more than twenty-five percent (25%) nor decrease more than ten percent (10%).

b. If either party shall fail or refuse to select an appraiser when required under the provisions of subsection (b), then the determination of fair market rent made by the appraiser selected by the other party shall be binding on both parties and shall be the fair market rent. If the appraisers selected by the parties shall fail or refuse to agree upon the appointment of a third appraiser when required under the provisions of this Paragraph 19.01B., then each party will cause the appraiser selected by it to supply the name of one independent MAI appraiser, with the qualifications set forth below, and an employee of Tenant shall draw one (1) name of the two (2) provided, in the presence of an employee of Landlord. In the event the appraiser selected by only one (1) party supplies the name of an independent appraiser when required under the provisions of this Paragraph 19.01B., the independent appraiser named by such appraiser shall be the appointed third appraiser.

c. Each appraiser referred to above shall be independent and shall be a licensed MAI real estate appraiser with at least five (5) years' experience within the previous ten (10) years as a commercial real estate appraiser working in the county in which the Leased Premises is located, with knowledge of relevant market rental values, sales values and practices in the metropolitan area. An appraiser shall be deemed "independent" if that broker has not previously acted in any capacity for either party within the preceding three (3) years.

Section 19.02. Right of First Offer to Purchase the Leased Premises.

A. Provided that Tenant is not then in default hereunder beyond any notice and cure period as of the date it exercises the option granted herein, Landlord shall notify Tenant in writing ("Landlord's Notice") if, at any time during the Lease Term, Landlord desires to sell or transfer

all or any portion of the Building and/or the Land (collectively for purposes of this Section 19.02, the "Offer Property") to a third party unaffiliated with Landlord. Landlord's Notice shall contain a copy of the terms upon which Landlord desires to sell the Offer Property. Upon receipt of Landlord's Notice, Tenant shall have the option to purchase the Offer Property at the purchase price and upon such other terms and conditions as are set forth in Landlord's Notice ("Right of First Offer"). Tenant shall have thirty (30) days upon receipt of Landlord's Notice in which to notify Landlord of its election to purchase the Offer Property on the terms and conditions contained in Landlord's Notice. In the event Tenant fails to notify Landlord of its agreement to purchase the Offer Property in the manner provided herein within said thirty (30) day period, such failure shall be conclusively deemed a rejection of the Right of First Offer, whereupon Landlord shall be free to sell the Offer Property to a third party upon substantially the terms set forth in Landlord's Notice and, except as next provided, Tenant's Right of First Offer shall be of no further force or effect. If, however, Lessor proposes to sell the Offer Property for less than ninety-eight percent (98%) of the purchase price set forth in Landlord's Notice or upon substantially more favorable terms and conditions than were offered to Tenant, Landlord must reoffer the Offer Property to Tenant at such lower price and/or upon such more favorable terms and conditions in accordance with the tenor hereof. Within thirty (30) days after Tenant notifying Landlord of its agreement to purchase the Offer Property pursuant to this section or such additional time as agreed by Landlord and Tenant in writing, Landlord and Tenant shall enter into a purchase agreement containing the terms and conditions set forth in Landlord's Notice and such other mutually agreed upon terms and conditions, if any. Tenant's right under this Section 19.02 shall terminate and be of no further force or effect upon the closing of a sale to a party named in Landlord's notice.

If Tenant exercises its option to purchase the Offer Property as set forth herein, either party shall have the right to sell/acquire the Offer Property as part of a transaction that is intended to qualify as a tax-deferred exchange under Section 1031 of the Internal Revenue Code of 1986, as amended. The non-exchanging party shall make all reasonable efforts to cooperate with the exchanging party, provided, however, that the date of closing shall not thereby be delayed, the non-exchanging party shall not be obligated to incur any additional expenses and the exchanging party shall defend, indemnify and hold harmless the non-exchanging party against any and all reasonable losses, costs, expenses and liabilities which may arise out of such tax-deferred exchange. To facilitate such exchange, the exchanging party shall have the right to assign its rights under the agreement to a qualified intermediary and to require the non-exchanging party's execution and delivery of all documents and instruments required to affect such exchange to such intermediary.

B. Tenant shall have the right to purchase the Leased Premises during the period from July 1, 2015 to March 31, 2016 (the "First Option Period) for the sum of: (i) the actual cost to acquire, develop and construct the Leased Premises and all related Soft Costs (collectively, the ''Actual Project Cost") plus (ii) Two Million Two Hundred Fifty Thousand and 00/100 Dollars ($2,250,000.00). To exercise such right for the First Option Period, Tenant shall give written notice to Landlord on or before the date which is no less than ninety (90) days prior to the expiration of the First Option Period. The closing shall occur prior to the expiration of the First Option Period. Tenant shall also have the right to purchase the Leased Premises during the period from April 1, 2016 to December 31, 2017 (the "Second Option Period) for the sum of: (i) Actual Project Cost plus (ii) an amount equal to fifty percent (50%) of the difference between

the Actual Project Cost and the then current Fair Market Value of the Leased Premises (as determined below); provided, however, that in no event shall the purchase price be less than Two Million Two Hundred Fifty Thousand and 00/100 Dollars ($2,250,000.00) or more than Three Million Two Hundred Fifty Thousand and 00/100 Dollars ($3,250,000.00 in excess of the Actual Project Cost, irrespective of the process used to determine the Fair Market Value of the Leased Premises. To exercise such right for the Second Option Period, Tenant shall give written notice to Landlord on or before the expiration of the Second Option Period. The closing must also occur prior to the expiration of the Second Option Period. Upon Tenant's exercise of either such option, Tenant and Landlord shall execute a binding agreement to sell and to purchase the Leased Premises in its "AS IS" condition and to assign to Tenant all of the guarantees and warranties held by Landlord relating to the Leased Premises, wherein closing costs, in general, shall be .shared by the parties, any costs, expenses, fees or penalties charged by Landlord's lender(s) whether for the assumption, prepayment or defeasance of the financing encumbering the Leased Premises, the proceeds of which were used to acquire and/or construct the Leased Premises paid by Tenant, title insurance paid by Tenant and survey costs paid by Landlord, and upon such other customary terms and conditions, including, without limitation, the transfer of marketable fee simple title to the Leased Premises from Landlord to Tenant by a transferable and recordable limited warranty deed, free and clear of all liens, encumbrances, restrictions and covenants whatsoever, except easements, covenants, binding elements and restrictions of record as of the date of this Lease, or as otherwise approved by Tenant in writing, real property taxes and assessments not yet due and payable and legal highways, but subject to such financing encumbering the Leased Premises, the proceeds of which were used to acquire and/or construct the Leased Premises. Real property taxes and assessments on the land being conveyed and Rents shall be prorated as of the closing date.

If Tenant exercises its option to purchase the Leased Premises as set forth herein, either party shall have the right to sell/acquire the Leased Premises as part of a transaction that is intended to qualify as a tax-deferred exchange under Section 1031 of the Internal Revenue Code of 1986, as amended. The non-exchanging party shall make all reasonable efforts to cooperate with the exchanging party, provided, however, that the date of closing shall not thereby be delayed, the non-exchanging party shall not be obligated to incur any additional expenses and the exchanging party shall defend, indemnify and hold harmless the non-exchanging party against any and all reasonable losses, costs, expenses and liabilities which may arise out of such tax-deferred exchange. To facilitate such exchange, the exchanging party shall have the right to assign its rights under the agreement to a qualified intermediary and to require the non-exchanging party's execution and delivery of all documents and instruments required to effect such exchange to such intermediary.

"Fair Market Value" of the Leased Premises shall be determined as follows:

a. Within a twenty-one (21) day period following Landlord's receipt of Tenant's notice pursuant to this Paragraph 19.02B, that Tenant desires to purchase the Leased Premises, the parties shall confer and attempt to reach agreement as to the Fair Market Value of the Leased Premises. "Fair Market Value" shall mean the price in terms of money which the Leased Premises will bring, free and clear of all indebtedness and excluding from consideration any trade fixtures, equipment, furniture and inventory which were installed in the Leased premises by Tenant, at Tenant's expense, at any time

subsequent to the commencement of the Lease, if exposed to the open market, allowing a reasonable time to find a purchaser, who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used. If Landlord and Tenant cannot reach a determination of Fair Market Value within the twenty-one (21) day conference period, then, within ten (10) days after such twenty-one (21) day conference period, Landlord and Tenant will each select and retain an independent MAI certified real estate appraiser independent, which appraiser has the qualifications set forth below. Each selected appraiser will be paid by the party employing the appraiser and will furnish each party a written determination within thirty (30) days.

b. If the determinations of the two (2) selected appraisers are within ten percent (10%) of each other, then Fair Market Value will be the average of the two (2) determinations. If the two (2) selected appraisers do not agree within ten percent (10%) on a Fair Market Value, a third (3rd) independent MAI appraiser, with the qualifications set forth below will be appointed within ten (10) days by the two selected appraisers. The appointed appraiser will be paid equally by each party and will independently select one (1) of the determinations of Fair Market Value submitted by the first two (2) appraisers, and notify Landlord and Tenant in writing of such decision, within thirty (30) days after his/her appointment.

c. If either party shall fail or refuse to select an appraiser when required under the provisions of subsection (b), then the determination of Fair Market Value made by the appraiser selected by the other party shall be binding on both parties and shall be the Fair Market Value. If the appraisers selected by the parties shall fail or refuse to agree upon the appointment of a third appraiser when required under the provisions of this Paragraph 19.02B., then each party will cause the appraiser selected by it to supply the name of one independent MAI appraiser, with the qualifications set forth below, and an employee of Tenant shall draw one (1) name of the two (2) provided, in the presence of an employee of Landlord. In the event the appraiser selected by only one (1) party supplies the name of an independent appraiser when required under the provisions of this Paragraph 19.02B., the independent appraiser named by such appraiser shall be the appointed third appraiser.

Each appraiser referred to above shall be independent and shall be a licensed MAI real estate appraiser with at least five (5) years' experience within the previous ten (10) years as a commercial real estate appraiser working in the county in which the Leased Premises is located, with knowledge of relevant market rental values, sales values and practices in the metropolitan area. An appraiser shall be deemed "independent" if that broker has not previously acted in any capacity for either party within the preceding three (3) years.

Section 19.03. Quiet Enjoyment. Provided that Tenant is not in default under this Lease beyond any notice and cure period, Landlord agrees that Tenant shall, at all times during the Lease Term have the peaceable and quiet enjoyment of possession of the Lease Premises and Landlord shall defend such quiet enjoyment against any party.

Section 19.04. Financial Statements. Landlord shall have the right to request copies of Tenant's most recent audited financial statements once each Lease Year, unless the stock of Tenant is publically traded.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

LANDLORD:

PREMIER ARHAUS, LLC

By: /s/ Spencer Pisczak
Printed: Spencer Pisczak
Title: Managing Member

TENANT:

ARHAUS, LLC

By: /s/ Greg Teed
Printed: Greg Teed
Title: CFO

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

Before me, a Notary Public in and for said County and State, personally appeared Spencer Pisczak by me known and by me known to be the Managing Member of Premier Arhaus, LLC, a Delaware limited liability company, on behalf of said limited liability company.

WITNESS my hand and Notarial Seal this 19th day of September, 2014.

/s/ Dundee J. Earle
Notary Public

Dundee J. Earle
(Printed Signature)

My Commission Expires: 4/29/19

My County of Residence: Stark

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

Before me, a Notary Public in and for said County and State, personally appeared Greg Teed, by me known and by me known to be the CFO of Arhaus, LLC, a Delaware Limited liability company, on behalf of said limited liability company.

WITNESS my hand and Notarial Seal this 19th day of September, 2014.

/s/ Dundee J. Earle
Notary Public

Dundee J. Earle
(Printed Signature)

My Commission Expires: 4/29/19

My County of Residence: Stark

EXHIBITS

Exhibit A	-	Legal Description of Land
Exhibit B	-	Project Schedule
Exhibit C	-	Project Description
Exhibit C-1	-	Project Costs
Exhibit D	-	Exterior Elevations
Exhibit E	-	Form of SNDA
Exhibit F	-	Form of Estoppel Certificate
Exhibit G	-	Form of Memorandum of Lease

Exhibit 10.21

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE ("Amendment") made as of the 13th day of November, 2015, by **PREMIER ARHAUS LLC,** an Ohio limited liability company ("Landlord") and **ARHAUS, LLC,** a Delaware limited liability company ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into a certain Lease dated September 19, 2014 ("Original Lease") for the lease of certain real property and improvements commonly located in Boston Heights, Ohio, and more fully described on **Exhibit A** attached to the Original Lease and incorporated herein by reference; and

WHEREAS, the parties desire to amend the terms and conditions of the Original Lease in certain respects;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the parties hereto hereby agree as follows:

1. All capitalized terms used herein shall have the same definitions as those set forth in the Original Lease, unless otherwise specifically defined herein.

2. Section 1.02.H. of the Original Lease is hereby amended to provide as follows: "Rent Commencement Date: March 1, 2016; provided, however, that the Rent Commencement Date shall be extended on a day for day basis to the extent that the Completion Date for the Warehouse portion of the Building does not occur on or before December 31, 2015, for any reason except for a Tenant Delay."

3. Section 2.02.A. of the Original Lease is hereby amended to provide as follows: "Project Schedule; Completion Dates. Landlord and Tenant agree that a preliminary project schedule is attached hereto as an **Exhibit B** (the "Project Schedule"). The Project Schedule shall only be modified or changed by a writing executed by Landlord and Tenant, or as otherwise required or permitted by the terms of this Lease. Subject to Landlord Excusable Delays, Landlord shall cause the Completion Date with respect to the Warehouse space to occur no later than December 31, 2015. If for any reason the Completion Date shall not occur by December 31, 2016 (the "Outside Completion Date"), this Lease shall automatically be null and void, and neither party shall have any claim against the other in damages or otherwise, provided, however, should the failure of the Completion Date to occur on or before the Outside Completion Date be due to Tenant Delay, then the Outside Completion Date shall be extended for one day for each day of Tenant Delay; provided that the Tax Exemption pursuant to the Community Reinvestment Area Agreement with the Village of Boston Heights, Ohio remains in effect."

4. Pursuant to Section 2.02.D., Landlord and Tenant agree that Tenant elected to exercise the Office Expansion Option and, as a result, the Minimum Annual Base Rent shall be increased by the amount of the Office Expansion Rent Increase for the remainder of the initial Lease Term. As result, Section 1.02.B. shall be modified as follows:

Minimum Annual Base Rent:

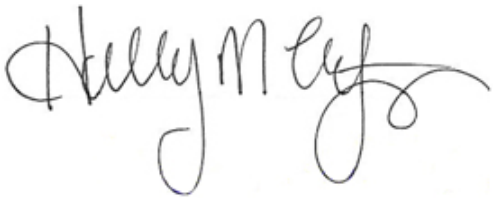
Period	Annual Total
Lease Years 1-5	$4,154,323
Lease Years 6-10	$4,648,680
Lease Years 11-15	$5,200,167
Lease Years 16-17	$5,824,113
Lease Years 18-20	$5,824,113
Lease Years 21-25	$6,523,005
Lease Years 26-27	$7,305,765

5. Notwithstanding Section 4 of this Amendment, with respect to the rent payable during Lease Year 1, the Rent Commencement Date: (i) with respect to the Warehouse space, remains March 1, 2016, and shall be paid in monthly installments of $220,893.75. and (ii) with respect to the Office and Expansion Space, rent shall not commence until the date which is sixty (60) days after the Completion Date with respect to such space, currently estimated to be between May 1, 2016 and May 31, 2016, and shall be paid in monthly installments of $125,293.75.

6. Except as specifically amended by the terms hereof, the terms and conditions of the Original Lease shall continue in full force and effect and are ratified hereby.

IN WITNESS WHEREOF, the parties hereto have executed this First amendment to Lease under seal as of the date first above written.

PREMIER ARHAUS LLC, an Ohio limited liability company

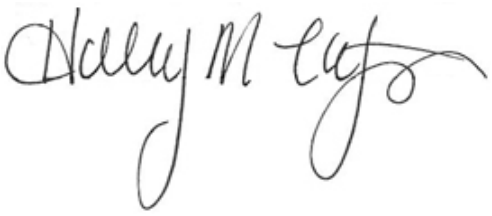


By: Premier Boston Hts., LLC, an Ohio limited liability company, Manager

By: Premier Boston Hts. Management, LLC, an Ohio limited liability company, Manager

By: /s/ Spencer N. Pisczak
Name: Spencer N. Pisczak
Title: Manager

ARHAUS, LLC



By: /s/ Greg Teed
Name and Title: Greg Teed CFO

STATE OF OHIO :
: **SS.**
COUNTY OF CUYAHOGA :

BEFORE ME, a Notary Public, personally appeared Spencer N. Pisczak, who is the Manager of Premier Boston HTS Management LLC, who acknowledged that he executed this Amendment on behalf of such corporation and that the same is his free act and deed and the free act and deed of such corporation.

IN WITNESS WHEREOF, the undersigned has set my hand and seal as of the 2nd day of December, 2015.

/s/ Holly M. Tufts
Notary Public

STATE OF OHIO :
: **SS.**
COUNTY OF CUYAHOGA :

BEFORE ME, a Notary Public, personally appeared Greg Teed, who is the CFO of Arhaus, LLC, who acknowledged that he executed this Amendment on behalf of such corporation and that the same is his free act and deed and the free act and deed of such corporation.

IN WITNESS WHEREOF, the undersigned has set my hand and seal as of the 2nd day of December, 2015.

/s/ Holly M. Tufts
Notary Public

Exhibit 10.22

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE ("Amendment") made on the day of November, 2017, by **PREMIER ARHAUS LLC,** an Ohio limited liability company ("Landlord") and **ARHAUS, LLC,** a Delaware limited liability company ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into that certain Lease dated September 19, 2014 (the "Original Lease") and that certain First Amendment to Lease dated November 13, 2015 (the "First Amendment"; the Original Lease as amended by the First Amendment, the "Amended Lease"; the "Amended Lease, as amended by this Second Amendment, the "Lease Agreement") for the lease of certain real property and improvements commonly located in Boston Heights, Ohio, and more fully described on **Exhibit A** attached to the Original Lease and incorporated herein by reference; and

WHEREAS, the parties desire to amend the terms and conditions of the Amended Lease in certain respects;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the parties hereto hereby agree as follows:

1. All capitalized terms used in this Second Amendment shall have the same definitions as those set forth in the Amended Lease, unless otherwise specifically defined herein.

2. Section 19.02(B) of the Amended Lease (as contained within the Original Lease) is hereby deleted in its entirety.

3. Landlord and Tenant agree to execute a recordable Amended Memorandum of Lease to reflect the modifications to the Amended Lease contained within this Second Amendment."

4. Except as specifically amended by the terms hereof, the terms and conditions of the Original Lease shall continue in full force and effect and are ratified hereby.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Lease on the dates set forth in the respective notary clauses below.

PREMIER ARHAUS LLC, an Ohio limited liability company

By: Premier Boston Hts., LLC, an Ohio limited liability company, Manager

By: Premier Managers, LLC,
an Ohio limited liability company, Manager

By: /s/ Kevin R. Callahan
Name: Kevin R. Callahan
Title: Manager

ARHAUS, LLC, an Ohio limited liability company

By: /s/ John P. Reed
Name and Title: CEO

STATE OF OHIO :
: **SS.**
COUNTY OF CUYAHOGA :

The foregoing instrument was acknowledged before me this 16th day of November, 2017, by Kevin R Callahan, the Manager of Premier Managers, LLC, an Ohio limited liability company, the Manager of Premier Boston Hts., LLC, an Ohio limited liability company, the Manager of Premier Arhaus, LLC, an Ohio limited liability company, on behalf of the aforesaid limited liability companies.

IN WITNESS WHEREOF, the undersigned has set my hand and seal on the 17th day of November, 2017.

/s/ Holly M. Tufts
Notary Public

STATE OF OHIO :
: **SS.**
COUNTY OF SUMMIT :

The foregoing instrument was acknowledged before me this 10 day of November, 2017, by John Reed, the CEO of Arhaus, LLC, a Delaware limited liability company, on behalf of the aforesaid limited liability company.

IN WITNESS WHEREOF, the undersigned has set my hand and seal on the 10 day of November, 2017.

/s/ Barbara A. Lee
Notary Public

Exhibit 10.23

THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE ("Amendment") made as of 1st day of January, 2019, by **PREMIER ARHAUS LLC**, an Ohio limited liability company ("Landlord") and **ARHAUS, LLC,** a Delaware limited liability company ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into that certain Lease dated September 19, 2014 (the "Original Lease"), that certain First Amendment to Lease dated November 13, 2015 (the "First Amendment"), and that certain Second Amendment to Lease dated November 17, 2017 (the "Second Amendment"; the Original Lease as amended by the First Amendment and Second Amendment, the "Amended Lease"; the Amended Lease, as amended by this Third Amendment, the "Lease Agreement"); and

WHEREAS, the parties desire to amend the terms and conditions of the Amended Lease in certain respects;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the parties hereto hereby agree as follows:

1. All capitalized terms used in this Third Amendment shall have the same definitions as those set forth in the Amended Lease, unless otherwise specifically defined herein.

2. Landlord shall have an additional 108 parking spaces installed at the Property ("Additional Parking").

3. As a result of the Additional Parking, commencing on January 1, 2019 and continuing thereafter for the remainder of the Lease Term and any subsequent extension option term exercised by Tenant, Tenant agrees to pay an additional $2,000 in monthly Base Rent.

4. Except as specifically amended by the terms hereof, the terms and conditions of the Amended Lease shall continue in full force and effect and are ratified hereby.

5. Landlord represents and warrants that it has obtained all consents, approvals or authorizations, including, without limitation, any applicable lender, necessary to enter into this Third Amendment.

6. This Third Amendment may be executed in counterparts, each of which shall be deemed to be an original, but such counterparts when taken together shall constitute but one agreement.

7. The law of the State of Ohio shall govern in any and all matters relating to the execution and completion of this Amendment.

8. In the event of a conflict between this Third Amendment and the Amended Lease, the terms contained herein shall prevail. This Third Amendment shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment to Lease on the dates set forth in the respective notary clauses below.

PREMIER ARHAUS LLC, an Ohio limited liability company

By: Premier Boston Hts., LLC, an Ohio limited liability company, Manager

By: Premier Managers, LLC,
an Ohio limited liability company, Manager

By: /s/ Kevin R. Callahan
Name: Kevin R. Callahan
Title: Manager

ARHAUS LLC, a Delaware limited liability company

By: /s/ Dawn Phillipson
Name and Title: Dawn Phillipson, Chief Financial Officer

STATE OF OHIO :
: SS.
COUNTY OF CUYAHOGA :

The Foregoing instrument was acknowledged before me this 13th day of February, 2019, by Kevin R. Callanan, the Manager of Premier Managers, LLC, an Ohio limited liability company, the Manager of Premier Boston Hts., LLC, an Ohio limited liability company, the Manager of Premier Arhaus, LLC, an Ohio limited liability company, on behalf of the aforesaid limited liability companies.

IN WITNESS WHEREOF, the undersigned has set my hand and seal on the 13th day of February, 2019.

/s/ Holly M. Tufts
Notary Public

STATE OF OHIO :
: **SS.**
COUNTY OF SUMMIT :

The foregoing instrument was acknowledged before me this 13th day of February, 2019, by Dawn Phillipson, the CFO of Arhaus, LLC, a Delaware limited liability company, on behalf of the aforesaid limited liability company.

IN WITNESS WHEREOF, the undersigned has set my hand and seal on the 13th day of February, 2019.

/s/ Allan Churchmack
Notary Public

Exhibit 10.24

LEASE

THIS LEASE is made this 28th day of July, 2010, between Brooklyn Arhaus, LLC, ("Lessor"), of 7700 Northfield Road, Walton Hills, Ohio 44146, and HOMEWORKS, INC., ("Lessee"), of 7700 Northfield Road, Walton Hills, Ohio 44146.

GRANT AND TERM

I. Premises:

In consideration of the rents, covenants and agreements herein contained, the Lessor hereby demises and leases unto the Lessee and the Lessee rents from the Lessor upon the terms herein contained, the building and real property located at 7440 Brookpark Road, Brooklyn, Ohio 44144 including approximately 2.6 acres of land and a building totaling 35,040 square feet (as is more fully described in Exhibit A).

II. Purpose and Term:

To have and to hold unto Lessee for its use as a retail store and warehouse, or other legal purpose. The initial term of this Lease shall begin on the 1st day of October, 2010, and end on the 30th day of September, 2025.

RENT

III. Rent:

Lessee covenants and agrees with Lessor to pay as rent during the term of the Lease the sum of Nineteen Thousand Nine Hundred and Ninety-Five Dollars ($19,995.00) per month, which shall be payable at the office of Lessor. Each installment of rent shall be due and payable on the first day of the month for which it is due.

IV. Common Areas

In addition to the monthly rent, Lessee shall pay all common area expenses which include, but are not limited to, janitorial service, cleaning materials, equipment, supplies, labor, equipment rental, landscaping, trash removal, maintenance of parking areas, removal of snow and ice, repair of parking area and common sidewalks.

V. Utilities:

Lessee covenants and agrees with Lessor to pay for, as and when due, all electric, gas, and water furnished to the leased premises during the term, including sewer charges, at the rates of the utility company or municipality supplying the service and according to the readings of the separate meters within the leased premises.

VI. Property Taxes:

Lessee will pay all real property taxes, assessments, and all fees incurred in connection therewith, which may be levied or paid by any lawful authority against the premises. If the amount of such taxes, assessments, costs and fees shall exceed, in any lease year, the amount of such taxes, assessments, costs and fees charged in the year this lease is executed, Lessee shall pay that increase.

POSSESSION, USE AND SURRENDER OF PREMISES

VII. Possession and Surrender:

Lessee shall take possession of the premises in the condition in which it exists at the beginning of the lease term, shall not permit it to be vacant during the term, and at the end of the term shall deliver all keys to Lessor and leave the premises broom clean and in as good condition as received, except for reasonable wear and tear. Any materials or waste left in the premises or the stock rooms by Lessee after the end of the term may be summarily removed by Lessor without notice to Lessee, and Lessee agrees to reimburse Lessor for the cost of such removal.

VIII. Use of Premises:

Lessee shall use and occupy the premises in a safe and careful manner, conforming to good housekeeping practices in the retail industry and to reasonable recommendations of fire insurance underwriters, without permitting or committing any waste. Lessee shall conform to and obey all laws, ordinances, rules, regulations, requirements and orders of all government bodies or authorities respecting its use of the premises. Lessee agrees not to use the premises in any manner deemed especially hazardous because of fire risk or otherwise.

IX. Removal of Trade Fixtures:

If Lessee shall not be in default hereunder, all trade fixtures and/or equipment installed in the premises by Lessee may, and if Lessor so requests, be removed at the end of the term, provided however, that Lessee shall repair at its own expense any damage or injury to the premises resulting from such removal.

MAINTENANCE OF THE PREMISES

X. Maintenance by Lessee:

Lessee covenants and agrees to keep and maintain the premises in a first class condition, order and repair, and, shall promptly make all maintenance, cleaning, repairs or replacements becoming necessary during the term including, but without limitation, maintenance of the roof, parking areas, driveways, structural elements of the premises, periodic cleaning and repair or replacement of windows, doors, glass, electrical, plumbing and sewage lines and fixtures within the premises, and all heating, air conditioning and ventilating equipment and ducts and vents attached thereto, including any of such equipment which may, with Lessor’s consent, be mounted

on the roof of the premises, all interior walls, ceilings and all docks, fire extinguishers and building appliances of every kind. Lessee shall at all times maintain sufficient heat in the premises to prevent freezing of sprinkler and water lines. If Lessee installs or moves partitions or walls in the premises, Lessee shall also make, at its own expense hut subject to Lessor's approval, all additions to or changes in location of heating, plumbing, sprinkler or electrical equipment in the premises made necessary by those installations. Lessee also covenants and agrees that in the event the HVAC system serving Lessee's space needs to be replaced during the term of this Lease or any extension hereof, Lessee shall be solely responsible for the cost of the new HVAC system for Lessee's space with no set-off.

XI. Lessor's Right of Access:

Lessee covenants and agrees to permit Lessor to enter the premises at all reasonable or necessary times to examine their condition or to make repairs Lessor is required to make under this Lease, or that become necessary in the operation of Lessor's property. Lessor shall have the right to show the premises to prospective purchasers at all reasonable times during the term, to prospective tenants at all reasonable times during the last six (6) months of the lease term, and to maintain a "for rent" sign on the exterior thereof during said six (6) month period, which sign shall not be removed or obscured by Lessee.

XII. Casualty Damage:

Lessor and Lessee agree that if the premises shall, without fault or neglect on Lessee's part, be damaged or destroyed by fire or other casualty covered by the applicable policies of fire and extended coverage insurance, and such damage or destruction could reasonably be repaired within thirty (30) working days from the happening thereof, then Lessor shall proceed with all reasonable speed to repair such damage or destruction and to restore the premises as nearly as practicable to their condition immediately preceding such damage or destruction.

XIII. Performance by Lessor for Lessee:

In the event of Lessee's failure to observe and perform any of its covenants or agreements under this Lease, Lessor may, after reasonable notice to Lessee, perform the same for Lessee in which event Lessee shall reimburse Lessor upon demand for the cost of such performance.

XIV. Liens:

If, because of any act or omission of Lessee or anyone claiming by, through, or under Lessee, any mechanic's or other lien or order for the payment of money shall be filed against the premises or the property of which the premises are a part, or against Lessor (whether or not such lien or order is valid or enforceable as such), Lessee shall, at its own cost and expense, cause the same to be canceled and discharged of record within ninety (90) days after the date of filing thereof.

INSURANCE AND LIABILITY

XV. Indemnification and Insurance - Lessee's Responsibility:

Lessee covenants and agrees to indemnify and hold Lessor free and harmless from and against any damage, loss or liability for injury to, or death of persons and/or loss or damage to property, not compensated for by Lessor's insurance, occasioned by, growing out of, arising or resulting from Lessee's default hereunder or from any act or omission of Lessee, its agents, employees or invitees. Lessee shall also during the term and at its own expense, carry public liability insurance with at least $1,000,000.00 personal injury and $500,000.00 property damage limits, with Lessor and, if requested by Lessor, any Mortgagee of Lessor, named as additional insured, and providing that the same shall not be modified, canceled or terminated without at least fifteen (15) days prior notice to Lessor. Lessee shall, at the Lessee's cost and expense secure and maintain, insurance against loss or damage or injury to or destruction of the building on the leased premises resulting from fire, tornado, or from any hazard included in the so-called extended coverage endorsement in an aggregate amount at least equal to the full fair insurable value thereof. All premiums on such policy and any substitute policies herein required shall be paid by the Lessee. Lessee agrees that a certificate of insurance shall be deposited with Lessor at all times.

XVI. Lessor's Nonliability:

Lessor shall have no responsibility for the care or safety of the personal or other property kept on the premises by Lessee, and shall not be liable for any damage caused directly or indirectly by acts or omissions of others, or by water or steam leaking, escaping or bursting from any sprinkler equipment, water, steam or other pipes, washstands, water tanks, or sewers in, above, under, upon or about the leased premises, or by water, snow or ice being upon or coming through the roof, windows, trap doors or otherwise.

EMINENT DOMAIN

XVII. Eminent Domain:

Appropriation of all the leased premises shall terminate this Lease as of the date thereof. If part, but not all of the leased premises shall be appropriated, and loss of the part appropriated would have significant detrimental effect on Lessee's use of the premises or if the part appropriated includes thirty percent (30%) or more of the premises subject to this Lease, then Lessee shall have the right to cancel this Lease by written notice to Lessor given within fifteen (15) days after such appropriation. Lessee shall vacate the premises within a reasonable period, not exceeding six months after the giving of such notice and upon its vacation, this Lease shall terminate. If Lessee does not exercise its cancellation right, Lessor shall, at the expiration of the fifteen (15) day period, proceed with all reasonable dispatch to repair any damage to the premises caused by the appropriation, and Lessee shall be entitled to a reasonable adjustment in the rent accruing hereunder from the date of appropriation reflective of the diminished utility or ease of use of the premises to Lessee.

Lessee shall not be entitled to any part of an award or settlement of damages representing the value of the building appropriated, or any estate therein, or damage to the residue of the leased premises or other property of Lessor, it being agreed that as between Lessor and Lessee any such award shall be the sole property of Lessor. However, in any condemnation proceeding, Lessee may claim and receive compensation from the condemning authority for damage to its fixtures and for the cost of removal and damage by reason thereof. No appropriation of part or all of the leased premises, or cancellation of this Lease pursuant to this paragraph shall be deemed an eviction of Lessee, or a breach of any covenant of Lessor hereunder.

For purposes of this paragraph, the terms “appropriation” or “appropriated” shall mean a taking in condemnation proceedings by right of eminent domain, or a conveyance by Lessor to a public or quasi-public authority under threat of condemnation, and the date of appropriation shall be the date on which any such event occurs. Where a rent adjustment is provided for in this paragraph, the amount of the reduction shall be determined by multiplying the monthly rent by a fraction, the numerator shall be the area of space lost by the “appropriation” and the denominator shall be the total area of space leased by the Lessee prior to the “appropriation.”

DEFAULT

XVIII. Default by Lessee:

If Lessee shall at any time be in default in the payment of rent or other charges or in the performance of any of its agreements hereunder, and if such default relates to the payment of money, shall fail to remedy it within seven (7) days after written notice of such default by Lessor to Lessee, or if the default relates to matters other than the payment of money, fails to commence to remedy it within fifteen (15) days after written notice of such default by Lessor to Lessee and thereafter diligently to pursue correction thereof, or if a receiver of any property of Lessee on the premises be appointed, or Lessee’s interest in the premises is levied upon by legal process, or Lessee be adjudged bankrupt, and Lessee fails within ten (10) days to commence, and thereafter diligently to pursue, proceedings for the vacation of such appointment, levy, or adjudication, or if Lessee shall dispose of all or substantially all of its assets in bulk in a transaction not involving an assumption of Lessee’s obligations hereunder by the purchaser of such assets, or make an assignment for the benefit of its creditors then, and in any such instance, without further notice to Lessee, Lessor may enter upon the premises notwithstanding the provisions of this Lease, and in the event of such entry, Lessor may either:

a) Terminate this Lease, in which event the obligations of Lessee hereunder shall cease, without prejudice however to the right of Lessor to recover from Lessee for rent or otherwise to the date of entry. If Lessee be adjudicated a bankrupt, Lessor shall, in lieu of such liquidated damages, be allowed a claim in the bankruptcy proceeding for future rent to the extent permitted by bankruptcy laws; or

b) Enter upon the leased premises without terminating this Lease and relet the same in its own name for the account of Lessee for the remainder of the term (and thereafter for its own account) at the best rent then attainable, and immediately recover from Lessee any deficiency for the balance of the term between the amount for which the premises was relet and the rent provided hereunder.

MISCELLANEOUS

XIX. Quiet Enjoyment:

Lessor covenants and agrees that if Lessee pays the rent and other charges herein provided, and performs all the covenants and agreements herein stipulated to be performed on Lessee's part, Lessee shall, at all times during the term, have the peaceable and quiet enjoyment and possession of the premises without any manner of hindrance from Lessor or any persons lawfully claiming under or through Lessor, except as to any portion of the premises that might be taken by eminent domain.

XX. Assignment and Subletting:

Lessee shall not assign this lease or sublet the premises.

XXI. Short Form Lease:

This Lease shall not be recorded, but upon the request of Lessor or Lessee, Lessee and Lessor shall execute a short form or memorandum thereof for recording purposes which shall contain sufficient information to protect Lessee or Lessor.

XXII. Subordination and Offset Certificate:

Lessee covenants and agrees, within ten (10) days after Lessor's written request, to execute and deliver to Lessor:

a) Any documents necessary to subordinate this Lease to the lien of any mortgage Lessor desires to place on the property of which the premises are a part, provided the mortgagee agrees to allow Lessee to remain in possession subject to the terms of this Lease, and/or;

b) A certificate to any proposed mortgagee of the premises certifying that this Lease is in full force and effect and that there are no defenses or offsets thereto, on Lessee's part, if such be the case, or if not, stating those claimed by Lessee, and stating the date to which rent has been paid.

XXIII. Holding Over:

If Lessee shall remain in possession of all or any part of the premises after the expiration of the terms of this Lease then Lessee shall be deemed a tenant of the premises from month to month. Any holding over by Lessee shall be upon and subject to all of the terms and conditions of this Lease except as to the term of this Lease, and rent for the period of such hold over tenancy shall be equal to the monthly rental rate as set forth in this lease.

XXIV. No Waiver:

No receipt of money by Lessor from Lessee with knowledge of a breach of any covenants of this Lease, or after the termination hereof, or after the service of any notice, or after the commencement of any suit, or after final judgment for possession of said premises shall be deemed a waiver of such breach, nor shall it reinstate, continue or extend the term of this Lease or affect any such notice, demand or suit. No consent or waiver, express or implied, by Lessor to or for any other shall be construed as a consent or waiver to or for any other breach of the same or any other covenant, condition or duty to be observed by Lessee.

XXV. Force Majeure:

In the event that Lessor or Lessee shall be delayed, hindered in or prevented from the performance of any act required hereunder (other than payment of rent and other charges payable by Lessee) by failure to act or default of the other party, war or any other reason beyond the reasonable control of the party who is seeking additional time for the performance of such act, then performance of such act shall be extended for a reasonable period in no event to exceed a period equivalent to the period of such delay.

XXVI. Notices:

Any notice required or permitted to be given to Lessee hereunder shall be sufficiently given, effective upon delivery or attempted delivery at the designated address, if in writing, addressed to Lessee, and hand delivered or mailed certified U.S. Mail, return receipt requested, to the premises or to such other address as Lessee may from time to time designate for that purpose in writing. Any notice required or permitted to be given to Lessor hereunder shall be deemed sufficiently given, effective upon delivery or attempted delivery at the designated address, if in writing, addressed to Lessor, and hand delivered or mailed certified U.S. Mail, return receipt requested to Lessor at said address given above or at such other address as Lessor may from time to time designate in writing to Lessee for that purpose.

INTERPRETATION

XXVII. Interpretation:

This Lease and all the covenants, provisions, and conditions herein contained shall inure to the benefit of and be binding upon the heirs, successors, and assigns of the parties. The word “term” when used to refer to the period for which the premises and leased, shall be read as including the original term, and any period of holding over. Paragraph captions are for convenience only, and their presence or absence shall not be considered in the interpretation of this Lease.

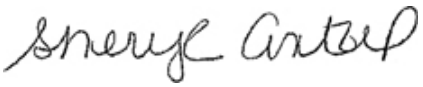
IN WITNESS WHEREOF, this instrument has been executed by Lessor and Lessee as of the day and year first above written.

WITNESSES:

LESSOR:
Brooklyn Arhaus, LLC

/s/ John P. Reed
By: John P. Reed, Member

WITNESSES:



LESSEE:
HOMEWORKS, INC.,

/s/ William P. Lahiff
By: William P. Lahiff
V.P., Chief Financial Officer

State of Ohio)
) ss.
Cuyahoga County)

Before me, a Notary Public, in and for said State, personally appeared the above named JOHN P. REED, Member of Brooklyn Arhaus, LLC, and WILLIAM P. LAHIFF, VP/CFO of HOMEWORKS, INC., who acknowledge that they have all requisite authority to act on behalf of their respective companies, and that they did sign the foregoing instrument and that the same was their free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal, at Walton Hills, Ohio this 20th day of July, 2010.

/s/ ALLAN G. CHURCHMACK
NOTARY PUBLIC

Exhibit 10.25

Retention and Success Bonus Agreement

1. **Purpose.** This Retention and Success Bonus Agreement ("Agreement") is made and entered into on May 11, 2021 by and between Arhaus, LLC ("Company"), and Dawn K. Phillipson ("Phillipson") for the purpose of setting forth the requirements for Phillipson to receive additional compensation (the "Retention Bonus") as an incentive to continue employment with the Company through October 29, 2021, and to successfully complete and consummate either: a) a Change of Control Transaction as defined in the Third Amended and Restated Limited Liability Company Agreement for Arhaus ("LLC Agreement") or b) a Qualified Initial Public Offering ("Qualified IPO") as defined in the LLC Agreement.

2. **Requirements for Receiving Retention Bonus.** If Phillipson remains employed by the Company as of October 29, 2021 and either: a) a Change of Control Transaction, or b) a Qualified IPO has been successfully completed and consummated by that date, then Phillipson will receive, and the Company shall pay to Phillipson, One Million Dollars ($1,000,000.00) net, after any deductions as referenced in Section 4 below, on October 30, 2021.

If Phillipson's employment is terminated by the Company prior to October 29, 2021 without Cause, Phillipson will be entitled to the entire Retention Bonus. If however, Phillipson's employment is terminated for Cause (violation of Company policy, dishonesty/impropriety, theft) prior to October 29, 2021, she will forfeit the entire Retention Bonus and the Company shall not be required to pay Phillipson the Retention Bonus or any other additional compensation or bonus upon her termination from employment with the Company.

If Phillipson remains employed by the Company as of October 29, 2021 but neither a Change of Control Transaction nor a Qualified IPO has been completed and consummated, then Phillipson will forfeit the entire Retention Bonus and the Company shall not be required to pay Phillipson the Retention Bonus.

3. **Confidentiality.** Phillipson agrees to that he is required to keep confidential, and may not discuss with anyone (other than his spouse/partner, or as may be required by law or any court order, provided they also keep confidential) the fact that she has been offered a Retention Bonus or any provisions of this Agreement, unless Phillipson receives prior written consent from the Company. If Phillipson violates this confidentiality requirement, Phillipson will not receive the Retention Bonus and may be subject to additional action by the Company.

4. **Offset of Amounts Owed; Withholding.** The Company shall be entitled to deduct or withhold from any Retention Bonus payment made to Phillipson any amounts owed for any federal, state, or local taxes imposed with respect to Phillipson's compensation or other payments from the Company or any of its affiliates.

5. **No Change in Legal Employment Status.** This Agreement and the Retention Bonus are not a contract or guarantee of employment with the Company and they are not intended to change in any way Phillipson's status as an at-will employee subject to all applicable terms and conditions of Phillipson's employment.

6. **No Right to Assign.** This agreement shall not be assigned by Phillipson.

7. **Successors.** This Agreement is binding on the Company and any direct corporate successor to the Company or its business, and on Phillipson's estate and/or personal representative or guardian.

8. **Governing Law.** This Agreement shall be governed by, and interpreted under, Ohio law.

9. **Entire Agreement.** Except as otherwise specifically referenced herein, this Agreement is the entire agreement between Phillipson and the Company concerning the terms of the Retention Bonus for continuing employment with the Company, and it supersedes any other agreement or statement made to Phillipson in this regard.

/s/ Dawn K. Phillipson
Dawn K. Phillipson

/s/ John P. Reed
Arhaus, LLC
By: John P. Reed

Exhibit 21.1

Subsidiaries of Registrant

The registrant currently has no subsidiaries. Assuming the completion of reorganization transactions described in this registration statement, the registrant would have the following subsidiaries:

Name of Subsidiary	Jurisdiction of Incorporation
FS Arhaus Holding Inc.	Delaware
Homeworks Holdings, Inc.	Ohio
Arhaus, LLC	Delaware
Hines Hill Aviation, LLC	Ohio
Homeworks Logistics, LLC	Ohio
Arhaus Gift Cards, LLC	Ohio
TB Arhaus, LLC	Delaware
Northern Woods, LLC	Ohio
Arhaus Management, Inc.	Ohio

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of Arhaus, Inc. of our report dated July 30, 2021 relating to the financial statements of Arhaus, LLC, which appears in this Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Cleveland, Ohio
October 4, 2021

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of Arhaus, Inc. of our report dated July 30, 2021 relating to the financial statement of Arhaus, Inc., which appears in this Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Cleveland, Ohio
October 4, 2021

Exhibit 99.1

Consent to be Named as a Director Nominee

In connection with the filing by Arhaus, Inc. of the Registration Statement on Form S-1 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of Arhaus, Inc. in the Registration Statement and any and all amendments and supplements thereto. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

Dated: July 30, 2021

/s/ Bill Beargie

Bill Beargie

Exhibit 99.2

Consent to be Named as a Director Nominee

In connection with the filing by Arhaus, Inc. of the Registration Statement on Form S-1 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of Arhaus, Inc. in the Registration Statement and any and all amendments and supplements thereto. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

Dated: July 30, 2021

/s/ Rick Doody
Rick Doody

Exhibit 99.3

Consent to be Named as a Director Nominee

In connection with the filing by Arhaus, Inc. of the Registration Statement on Form S-1 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of Arhaus, Inc. in the Registration Statement and any and all amendments and supplements thereto. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

Dated: July 30, 2021

/s/ Andrea Hyde
Andrea Hyde

Exhibit 99.4

Consent to be Named as a Director Nominee

In connection with the filing by Arhaus, Inc. of the Registration Statement on Form S-1 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of Arhaus, Inc. in the Registration Statement and any and all amendments and supplements thereto. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

Dated: July 30, 2021

/s/ John Kyees
John Kyees

Exhibit 99.5

Consent to be Named as a Director Nominee

In connection with the filing by Arhaus, Inc. of the Registration Statement on Form S-1 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of Arhaus, Inc. in the Registration Statement and any and all amendments and supplements thereto. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

Dated: July 30, 2021

/s/ Gary Lewis
Gary Lewis

Exhibit 99.6

Consent to be Named as a Director Nominee

In connection with the filing by Arhaus, Inc. of the Registration Statement on Form S-1 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of Arhaus, Inc. in the Registration Statement and any and all amendments and supplements thereto. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

Dated: July 30, 2021

/s/ John M. Roth
John M. Roth