

## RISK FACTORS

In addition to those risks noted below, Exro Technologies Inc. Shareholders should carefully consider the risk factors outlined under the headings “*Risk Factors*” in the Circular and “*Appendix D – Information Concerning the Combined Company*” and “*Appendix F – Unaudited Pro Forma Financial Information*”. Management of SEA believes that the risks described below are the material risks relating to SEA as at the date of the Circular, although the information below does not purport to be an exhaustive list or summary of all of the risks that SEA may encounter. Additional risks and uncertainties not known to SEA as at the date of the Circular, or that SEA deems to be immaterial as at the date of the Circular, may also have an adverse effect on its business. References herein to “we”, “us”, or “our” are defined as “SEA”, including its successors.

### Risks Related to Our Business and Industry

We have a history of losses, and we expect to incur losses in the fiscal year ending June, 30 2024, and our June 30, 2023, audited financial statements included disclosure that casts doubt regarding our ability to continue as a going concern.

We have a history of losses as we pursue our business plan of developing and commercializing our zero-emission powertrains. We reported a net loss of \$39.6 million and a net loss of \$33.5 million for the fiscal years ended June 30, 2023 and 2022, respectively. At June 30, 2023, our accumulated deficit amounted to \$108.0 million. Our working capital was comprised of inventories of \$11.9 million and \$10.8 million as well as net payables (net of receivable) of \$6.1 million and \$11.6 million as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, net cash used in operating activities amounted to \$36.0 million and \$26.6 million, respectively. In addition, as of June 30, 2023, we had outstanding indebtedness of approximately \$37.1 million. Based on a revised agreement dated January 18, 2024, we have no debt maturing in 2024. We believe that we will continue to incur operating losses in the future. We cannot guarantee we will become profitable or achieve our business plan on a timely basis, including the levels of profit anticipated. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We expect to continue to incur significant expenses in future periods as we:

- design and develop zero-emission powertrains;
- build up inventories of parts and components for our zero-emission powertrains;
- assemble an available inventory of our zero-emission powertrains;
- expand our design, development, maintenance and repair capabilities;
- increase our sales and marketing activities and develop our distribution infrastructure; and
- mitigate costs and expenses resulting from warranty obligations and vehicle recalls that may not be fully recoverable from our legacy battery suppliers.

Because we will incur the costs and expenses from these efforts before we grow incremental revenue, we may continue to incur losses in future periods. In addition, we may find that these efforts are more expensive than we currently anticipate or these efforts may not result in projected revenues, which would further increase our losses. The ZEV market is relatively new, ever-changing and is subject to rapid technological advances. Accordingly, it is difficult to predict our future revenues and appropriately budget for our expenses. In the event that actual results differ from our expectations, our operating results and financial position could be materially affected.

***Our business requires a significant amount of capital to fund inventory. We expect to need to raise additional funds and these funds may not be available to us in the amounts needed or at all when we need them. If we cannot raise additional funds as needed, our business could be negatively affected.***

We require a significant amount of capital to continue to grow our business. We expect to continue to incur significant expenses which will impact our profitability, including research and development expenses, raw material procurement costs, lease costs, sales and distribution expenses as we build our brand and market zero-emission powertrains, and general and administrative expenses as we scale our operations. Our ability to become profitable in the future will not only depend on our ability to successfully market our zero-emission powertrains but also to control our costs. If we are unable to cost efficiently design, assemble, market, sell, distribute and service our zero-emission powertrains and services, our margins, potential profitability and prospects would be materially and adversely affected.

We will require additional capital to fund ongoing operations, continue research, development and design efforts and improve infrastructure. We cannot be certain that additional funds will be available to us on favorable terms when required, or at all. If we cannot raise additional funds when we need them, our financial condition, results of operations, business and prospects could be materially adversely affected.

Our ability to obtain the necessary financing to carry out our business plan is subject to a number of factors, including general market conditions and investor acceptance of our business model. These factors may make the timing, amount, terms and conditions of such financing unattractive or unavailable to us. If we are unable to raise sufficient funds, we will have to significantly reduce our spending, delay or cancel our planned activities or substantially change our corporate structure. We might not be able to obtain any funding, and we might not have sufficient resources to conduct our business as projected, both of which could mean that we would be forced to curtail or discontinue our operations.

In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our direct and indirect stockholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and may make it more difficult for us to obtain additional capital, pay dividends to our stockholders or pursue business opportunities, including potential acquisitions.

If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected.

***Our debt could adversely affect our financial condition.***

As of June 30, 2023 we had outstanding indebtedness of approximately \$37.1 million, all of which is expected to mature in April 2027. Our outstanding debt could:

- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- require us to issue additional shares of common stock in exchange for such debt;
- make us more vulnerable to downturns in our business, the economy or the industry in which we operate;
- limit our ability to raise additional debt or equity capital in the future to satisfy our requirements relating to working capital, capital expenditures, development projects, strategic initiatives or other purposes;

- restrict us from making strategic acquisitions, introducing new technologies or exploiting business opportunities;
- make it difficult for us to satisfy our obligations with respect to our debt, which depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control as well as the other risks described in this “*Risk Factors*” section; and
- expose us to the risk of increased interest rates.

Moreover, we may, subject to the limitations in the terms of its existing and future indebtedness, incur additional debt, secure existing or future debt or recapitalize our debt. Our ability to refinance existing or future indebtedness will depend on the capital markets and our financial condition at such time. Our ability to make payments may be limited by law, by regulatory authority or by agreements governing our current or future indebtedness. We may not be able to engage in these activities on desirable terms or at all. Any of the foregoing could materially adversely affect our business, results of operations or financial condition.

***We will need to raise additional cash to service our debt and sustain our operations. Our ability to generate cash and raise funds depends on many factors beyond our control, and we may not be able to generate the cash required to service our debt.***

Our ability to meet our debt service obligations or refinance our debt depends on our future operating and financial performance and our ability to generate cash. This will be affected by our ability to successfully implement our business strategy, as well as general economic, financial, competitive, regulatory and other factors beyond our control, such as the disruption caused by the COVID-19 pandemic. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, obtain additional financing, reduce or delay investments or capital expenditures or sell assets on terms that may be highly onerous or dilutive. There can be no assurance that we will be able to generate sufficient cash through any of the foregoing. In addition, our ability to finance our operations, capital expenditures and working capital needs could be impacted by a rise in interest rates, as any such increase in interest rates would lead to higher costs of borrowing for us. We may not be able to effectively manage our borrowing costs and may lack alternative sources of funding to mitigate risks associated with a rise in interest rates. If we are not able to refinance any of our debt as it comes due, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our outstanding debt. Any of the foregoing could materially adversely affect our business, results of operations or financial condition.

***Our financial results may vary significantly from period to period due to fluctuations in our operating costs and other factors.***

Our quarterly and annual operating results may fluctuate significantly, which makes it difficult for us to predict our future operating results. These fluctuations may occur due to a variety of factors, many of which are outside of our control, including:

- the pace at which we continue to design, develop and produce new or enhanced products and increase assembly capacity;
- the number of customer orders and zero-emission powertrains sold in a given period;
- the ability to realize revenues against our orderbook is contingent on receiving purchase orders in line with joint forecasts;
- changes in major component and assembly costs;

- the availability of critical components for the manufacture of our products, such as batteries;
- the timing and cost of, and level of investment in, research and development relating to our technologies and our current or future facilities;
- developments involving our competitors;
- changes in governmental regulations or applicable law;
- future accounting pronouncements or changes in our accounting policies; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of potential competitors.

As a result of these factors, we believe that quarter-to-quarter comparisons of our financial results, especially in the short term, are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance.

***We may not be able to obtain, or there may be a substantial delay in obtaining, all or a significant portion of any government grants, loans and other incentives for which we may apply, and our customers could fail to effectively execute on governmental funding programs, including California’s Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (“HVIP”).***

Federal and state grants, loans and tax incentives under government programs designed to stimulate the economy and support the production of electric vehicles and related technologies may become available. Our ability to obtain funds or incentives from government sources is subject to the availability of funds under applicable government programs and approval of our applications to participate in such programs. The application process for these funds and other incentives tends to be highly competitive.

Incentives such as the HVIP program represents a very attractive subsidy program to our customers doing business in California due to its ease of access and amount of funding per vehicle. Any material problem with the HVIP program or any delays in obtaining funding under HVIP could have a material adverse impact on our business, financial condition and results of operations. Moreover, if the demand exceeds the availability of funds, then our customers may elect to cancel orders. We cannot be assured that we will be successful in obtaining any of these additional grants, loans and other incentives. If we are not successful in obtaining any of these additional incentives and we are unable to find alternative sources of funding to meet our planned capital needs, our business and prospects could be materially adversely affected.

***Our growth and success is dependent upon the willingness of commercial fleet operators to adopt electric vehicles and specifically our zero-emission powertrain. We operate in the automotive industry, which is generally susceptible to cyclicity and volatility.***

Our growth is highly dependent upon the adoption by commercial fleets of alternative fuel vehicles in general and our zero-emission powertrain in particular. The market for alternative fuels, hybrid and ZEVs is relatively new and untested and is characterized by rapidly changing technologies, price competition, numerous competitors, evolving government regulation and incentives, industry standards and uncertain customer demands and behavior. We expect competition in the industry to intensify in light of increased demand for products in our market. There can be no assurances that we will be able to compete successfully. Increased competition could result in price reductions and revenue shortfalls, loss of customers and loss of market share, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

Our success depends on our ability to ensure that our zero-emission powertrains are recognized and accepted as reliable, enabling and cost-effective and our ability to convince potential customers that our

products and technology are an attractive alternative to existing products and technology. Prior to adopting our products and technology, some customers may need to devote time and effort to testing and validating our systems. Any failure of our zero-emission powertrains to meet these customer benchmarks could result in potential customers choosing to retain their existing systems or to purchase systems other than ours.

The market for our ZEVs could be affected by numerous factors, such as:

- perceptions about alternative fuel, hybrid and electric vehicle quality, safety, design, performance, reliability and cost, especially if adverse events or accidents occur that are linked to the quality or safety of alternative fuel, hybrid or electric vehicles;
- perceptions about vehicle safety in general, including the use of advanced technology, such as vehicle electronics, alternative fuel and regenerative braking systems;
- the decline of vehicle efficiency resulting from deterioration over time in the ability of the battery to hold a charge;
- changes or improvements in the fuel economy of internal combustion engines, the vehicle and the vehicle controls or competitors' electrified systems;
- the availability of parts and components for electric vehicles;
- the availability of service and associated costs for alternative fuel, hybrid or electric vehicles;
- perceptions about the limited range over which ZEV and electric vehicles may be driven on a single battery charge;
- competition, including from other types of alternative fuel vehicles, plug-in ZEV and electric vehicles and high fuel-economy internal combustion engine vehicles;
- current volatility in the cost of energy, oil, gasoline, natural gas, hydrogen and renewable fuels could affect buying decisions, which could affect the carbon profile of our solutions;
- the availability of charging infrastructure to recharge batteries and maintain battery life for electric vehicles;
- the capacity and reliability of the electric grid;
- the availability of lease and financing options for ZEVs which enable their adoption;
- government regulations and economic incentives promoting fuel efficiency and alternate forms of energy or mandating reductions in tailpipe emissions, including new regulations mandating zero tailpipe emissions compared to overall carbon reduction;
- the availability of tax and other governmental incentives to purchase and operate alternative fuel, hybrid and electric vehicles or future regulation requiring increased use of nonpolluting trucks; and
- macroeconomic factors, such as inflation or economic conditions causing delays in purchasing decisions.

If the market for electric vehicles in general, our zero-emission powertrain in particular, and all our other products, does not develop as we expect, or does not develop at all, our business, prospects, financial condition and operating results could be harmed.

***If we fail to manage future growth effectively, we may not be able to commercialize, market and sell our products and technology successfully.***

Anticipated growth in our business will place a significant strain on our managerial, operational and technical resources. We expect operating expenses and staffing levels to continue to increase in the future. To manage such growth, we must expand our operational and technical capabilities and manage our employee base while effectively administering multiple relationships with various third parties. There can be no assurance that we will be able to manage our expanding operations effectively. Any failure to properly manage our expansion, implement cohesive management and operating systems, and add resources on a cost-effective basis could have a material adverse effect on our business and results of operations. Risks that we face in undertaking this expansion include:

- recruiting and training new talents;
- forecasting production and revenue;
- controlling expenses and investments in anticipation of expanded operations;
- establishing or expanding manufacturing, sales and service facilities;
- implementing and enhancing administrative infrastructure, systems and processes;
- addressing new markets; and
- expanding or maintaining international operations.

***We may fail to attract new customers or to retain existing customers, and we are subject to substantial customer concentration.***

We believe that it is important to add more Original Equipment Manufacturers (“OEMs”) and other customers to ensure continued growth and replace departing customers. We may not be able to attract new customers in sufficient numbers to do so. In addition, we may not be able to quickly replace the quantity of orders from departing customers with orders from new customers, as the customer validation cycle typically takes up to 24 months. Even if we are able to attract new customers to replace departing customers, these new customers may not maintain the same level of commitment. In addition, we may incur marketing or other expenses, including referral fees, to attract new customers, which may further offset revenues from customers. For these and other reasons, we could experience a decline in revenue growth, which could adversely affect our results of operations.

If our customers do not perceive our product offerings to be of value or our offerings are not favorably received by them, we may not be able to attract and/or retain customers. As a result, our ability to maintain and/or grow our business will be adversely affected. Customer retention will also be largely dependent on the quality and effectiveness of our customer service and operations, as well as the dealer networks of the OEMs that we partner with. If we are unable to successfully compete with current and new competitors in both retaining existing customers and attracting new customers, our business will be adversely affected.

In addition, our results of operations could be adversely affected by declines in demand for our product offerings. Demand for our product offerings may be negatively affected by a number of factors, including geopolitical uncertainty, unavailability of grant funding or financing, inflation, competition, cybersecurity incidents, decline in our reputation and saturation in the markets where we operate.

Our two largest customers are projected to account for 85% of our revenue in calendar year 2024. As a result, our revenue could fluctuate materially and could be disproportionately impacted by purchasing decisions of these customers. Most of our zero-emission powertrain sales in calendar year 2024 are based on demand from our two largest customers and therefore our success is based on their ability to sell vehicles with our zero-emission powertrains to end users. If we are unable to diversify our customer base, maintain our existing strategic partnerships and expand our supply network with other partners, we will continue to be susceptible to risks associated with customer concentration.

***Cancellations, reductions or delays in customer orders or customer breaches of purchase agreements may adversely affect the results of our operations.***

We provide zero-emissions powertrains to our customers for which we are customarily not paid in advance and only require limited deposits. We rely on the creditworthiness of our customers to collect on our receivables from them in a timely manner after we have billed for products previously provided. While we generally provide products pursuant to a firm order which determines the terms and conditions of payment to us by our customers, occasionally customers may dispute an invoice and delay, contest or not pay our receivable. Our failure to collect our receivables on a timely basis could adversely affect our cash flows and results of operations and, in certain cases, could cause us to fail to comply with the financial covenants under our outstanding debt.

***We have been, and may in the future be, adversely affected by the global COVID-19 pandemic, the duration and economic, governmental and social impact of which is difficult to predict, which may significantly harm our business, prospects, financial condition and operating results.***

While conditions related to the global COVID-19 pandemic generally improved in 2022 and 2023, the pandemic continues to have an adverse impact on the global economy and our business operations, in particular, in areas such as supply chain delays and industry-wide shortages of raw materials utilized in manufacturing our ZEVs and zero-emission powertrains.

A resurgence of the virus in certain regions or the emergence of variants of the virus or another virus for which existing vaccines could be less effective may cause future delays or shutdowns of medium-duty commercial vehicle OEMs or our suppliers and could impact our ability to meet customer orders. In addition, the COVID-19 pandemic has resulted in extreme volatility in the global financial markets, which could increase our cost of capital or limit our ability to access financing. Difficult macroeconomic conditions, such as decreases in per capita income and level of disposable income, increased and prolonged unemployment or a decline in consumer confidence as a result of the COVID-19 pandemic could adversely impact the timing of purchases of ZEVs. Under difficult economic conditions, potential customers may seek to reduce spending by foregoing ZEVs for other traditional options. Decreased demand for ZEVs, particularly in the United States, and higher costs could negatively affect our business.

Global trade disruptions and consumer trends that originated during the pandemic continue to persist and may also have long-lasting adverse impact on us and our industries independently of the progress of the pandemic. For example, pandemic-related issues have exacerbated port congestion and intermittent supplier shutdowns and delays, resulting in additional expenses to expedite delivery of critical parts. In addition, labor shortages resulting from the pandemic, including worker absenteeism, may lead to increased difficulty in hiring and retaining manufacturing and service workers, as well as increased labor costs. Sustaining our production trajectory will require the ongoing readiness and solvency of our suppliers and vendors and a stable and motivated production workforce.

***Our zero-emission powertrains make use of lithium-ion battery cells, which, if not appropriately managed and controlled, have occasionally been observed to catch fire or vent smoke and flames. Such instances in our zero-emission powertrains could expose us to liability associated with our warranty, for damage or injury, adverse publicity and a potential safety recall, any of which would adversely affect our business, prospects, financial condition and operating results.***

Lithium-ion battery cells have caught fire in certain circumstances. On occasion, if not appropriately managed and controlled, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials. There can be no assurance that a field failure of the battery packs used in our zero-emission powertrains will not occur, which could damage the vehicle or lead to personal injury or death and may subject us to lawsuits. Furthermore, there is some risk of electrocution if individuals who attempt to repair battery packs on our zero-emission powertrains do not follow applicable maintenance and repair protocols. Any such damage or injury would likely lead to adverse publicity and potentially a safety recall. Any such adverse publicity could adversely affect our business, prospects, financial condition and operating results.

***Developments in alternative technology improvements in the internal combustion engine may adversely affect the demand for our zero-emissions powertrains.***

Our industry is relatively new and is subject to rapid technological change that has the potential to render our products and business plan obsolete. Significant developments in alternative technologies, such as advanced diesel, ethanol, or compressed natural gas or improvements in the fuel economy of the internal combustion engine, may materially and adversely affect our business and prospects in ways we do not currently anticipate. Other fuels or sources of energy may emerge as customers' preferred alternative to our zero-emission powertrains for medium-duty trucks platform. Any failure by us to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay our development and introduction of new and enhanced zero-emission powertrains, which could result in the loss of competitiveness of our zero-emission powertrains, decreased revenue and a loss of market share to competitors. Our research and development efforts may not be sufficient to adapt to changes in zero-emission powertrain technology. As technologies change, we plan to upgrade or adapt our zero-emission powertrains in order to continue to provide the latest technology. However, our electrified powertrain solutions may not compete effectively with alternative systems and could be rendered obsolete. We may be unable to forecast and respond to advances in electric powertrain and battery technologies and, as a result, may suffer a decline in our competitive position. Any failure to forecast and respond to advances in electric power train technology would result in a decline in our competitive position which would materially and adversely affect our business, prospects, operating results and financial condition.

***We may experience challenges in servicing our zero-emission powertrains. If we are unable to address the service requirements of our customers, customer satisfaction and our business in general may be materially and adversely affected.***

We may experience challenges in servicing and repairing our zero-emission powertrains. In addition, drivers often have less familiarity with ZEVs and the charging and service needs to maintain them, and thus require greater support and servicing than traditional combustion engine vehicles. Servicing electric vehicles is different than servicing vehicles with combustion engines and requires specialized skills, including high voltage training and servicing techniques. We currently employ trained service engineers to perform maintenance. In some cases, we use and train third-party service providers to perform some of the maintenance on our zero-emission powertrains, and there may be a risk that these third-party service providers will not perform the required services with the same skill and care as our own service engineers or follow the detailed work instructions we provide. Our customers also depend on our customer support team to resolve technical and operational issues relating to the integrated software underlying our electrified powertrain solutions. Our ability to provide effective customer support is largely dependent on our ability to attract, train and retain qualified personnel with experience in supporting customers on platforms such as ours. If we are unable to successfully address the service requirements of our customers or establish a market perception that we do not maintain high-quality support, we may be subject to claims from our



customers, including loss of revenue or damages, and our business, prospects, financial condition and operating results may be materially and adversely affected.

***If we fail to introduce zero-emissions powertrains that achieve broad market acceptance on a timely basis, or if our ZEVs are not adopted as expected, we will not be able to compete effectively.***

We operate in a quickly changing environment, and our future success depends on our ability to develop and introduce zero-emission powertrains that achieve broad market acceptance. Because the market for our zero-emission powertrains is rapidly evolving, it is difficult to predict our operating results. Our success will depend in large part upon our ability work with the OEMs that we supply to identify demand trends in the market in which we operate and quickly develop or acquire, and design zero-emission powertrains that satisfy these demands in a cost-effective manner.

In order to differentiate our zero-emission powertrains and services from competitors' products, we need to increase focus and investment in research and development. If we are unsuccessful in capitalizing on opportunities in the market in which we operate, our future growth may be slowed and our business, results of operations and financial condition could be materially adversely affected. Successfully predicting demand trends is difficult, and it is very difficult to predict the effect that introducing a new product or service will have on existing product or service sales. It is possible that we may not be successful with our new products and services, and as a result our future growth may be slowed and our business, results of operations and financial condition could be materially adversely affected. Also, we may not be able to respond effectively to new product or service announcements by competitors by quickly introducing competitive products and services.

Furthermore, the success of our new products will depend on several factors, including, but not limited to, awareness of a product's availability and benefits, market demand costs, timely completion and introduction of these products, prompt resolution of any defects or bugs in these products, our ability to support these products, differentiation of new products from those of our competitors, market acceptance of these products, delays and quality issues in releasing new products and services. The occurrence of one or more of the foregoing factors may result in lower quarterly revenue than expected, and we may in the future experience product or service introductions that fall short of our projected rates of market adoption.

Moreover, we believe that the demand for commercial electric vehicles depends, in part, on the continuation of current trends resulting from historical dependence on fossil fuels. Extended periods of low diesel or other petroleum-based fuel prices could adversely affect demand for electric vehicles, which could adversely affect our business, prospects, financial condition and operating results.

***If we are unable to attract and retain key employees and hire qualified management, technical and engineering personnel, our ability to compete could be harmed.***

As we grow, we will be required to hire a number of additional employees, including a variety of engineering specialties. Individuals with sufficient training in automotive manufacturing or electric vehicles may not be available to hire, and as a result, we will need to expend significant time and expense training any newly hired employees. Our success depends, in part, on our ability to retain our key personnel. The unexpected loss of or failure to retain one or more of our key employees could adversely affect our business, financial condition, results of operations and prospects. Our success also depends, in part, on our continuing ability to identify, hire, attract, train and develop other highly qualified personnel.

Competition for these employees can be intense, and our ability to hire, attract and retain them depends on our ability to provide competitive compensation. We may not be able to attract, assimilate, develop or retain qualified personnel in the future, and our failure to do so could adversely affect our business, including the execution of our global business strategy. Any failure by our management team to perform as expected may have a material adverse effect on our business, prospects, financial condition and results of operations.

***We will be subject to various uncertainties and contractual restrictions while the merger is pending that could adversely affect its financial results.***

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel until the merger is completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with us to seek to change existing business relationships with us. Employee retention and recruitment may be particularly challenging prior to completion of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect our financial results. We may lose key employees during the period in which we and Exro are pursuing the merger, which may adversely affect us in the future if we are not able to hire and retain qualified personnel to replace departing employees.

In addition, the merger agreement restricts us from making certain acquisitions and dispositions and taking other specified actions while the merger is pending without Exro's consent. These restrictions may prevent SEA from pursuing attractive business opportunities and making other changes to their respective businesses prior to completion of the merger or termination of the merger agreement. Furthermore, if the Merger is not completed, we may experience negative reactions from our customers and employees. We also could be subject to litigation related to any failure to complete the Merger or to enforcement proceedings commenced against us to attempt to force us to perform our respective obligations under the Merger Agreement.

#### **Risks Related to Manufacturing and Supply Chain**

***We have experienced and may in the future experience significant delays in the design, manufacture, launch and financing of our ZEVs and zero-emission powertrains, which could harm our business and prospects.***

We rely on third-party suppliers for the provision and development of many of the key components and materials used in our products. To the extent our suppliers experience any delays in providing us with or developing necessary components, we could experience delays in delivering on our timelines, or be forced to seek alternative suppliers. If a work stoppage occurs within our business, or in one of our key suppliers, it could delay the manufacture and sale of our coil driver and battery control products and have a material adverse effect on our business, prospects, operating results and financial condition.

***We are dependent on our suppliers, including battery manufacturers, some of which are single or limited source suppliers, and the inability of these suppliers to deliver the necessary components of our zero-emission powertrains at prices, quality, volumes, and specifications acceptable to us, could have a material adverse effect on our business, prospects, financial condition and operating results.***

We rely on third-party suppliers for the provision and development of many of the key components and materials used in our zero-emission powertrains. While we strive to obtain components from multiple sources whenever possible, some of the components used in our zero-emission powertrains are purchased by us from a single source. If our suppliers experience substantial financial difficulties, cease operations, experience supply chain disruptions or otherwise face business disruptions, we may experience production disruptions, which would have an adverse impact on our business and results of operations.

***Increases in costs, global and regional economic conditions, disruption of supply or shortage of raw materials could harm our business.***

We may experience increases in the cost of or a sustained interruption in the supply or shortage of raw materials, which may particularly affect our zero-emission powertrains. Any such cost increase, supply interruption or shortage could materially negatively impact our business, prospects, financial condition and operating results. Inflation may continue in the future to be rampant, resulting in higher commodity costs.

Furthermore, fluctuations or shortages in petroleum from market uncertainties, global conflicts, including between Russia and Ukraine and Israel and Hamas, and other economic conditions may cause us to experience significant increases in freight charges and raw material costs or for our supply chains to be disrupted. Increases in the prices for our raw materials would increase our operating costs to the extent that we do not have firm pricing from our suppliers or our suppliers are not able to honor such prices, and could reduce our margins if the increased costs cannot be recouped.

***Climate change issues or natural disasters may impact our operations.***

Climate change or natural disasters may exacerbate certain of the risks inherent in our manufacturing operations and supply chain. Climate change could result in increasing frequency and severity of weather-related events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages and changing temperatures that may result in physical damage to our manufacturing facility or those of our suppliers and customers. Such damage may result in disrupted operations, and it may be difficult for us to continue business for a substantial period of time, which could materially adversely impact our business, financial condition or operating results. Furthermore, severe weather incidences may cause us to incur substantial extraordinary costs, including: costs to respond during the event, to recover from the event and to possibly modify existing or future infrastructure requirements to prevent recurrence. Climate changes could also disrupt our operations by impacting the availability and costs of materials needed for production and could increase insurance and other operating costs.

***If our zero-emission powertrains fail to perform as expected or contain defects, we could incur significant expenses to remediate such defects, our reputation could be damaged, and we could lose market share.***

Our zero-emission powertrains are complex and may contain defects in design and manufacture that may cause them not to perform as expected or may require repair. Our zero-emission powertrains also may not perform consistent with customers' expectations or consistent with other powertrains which may become available. There can be no assurance that we will be able to detect and fix any defects in the powertrains' hardware or software prior to commencing customer sales. Some defects may only be discovered after ZEVs have shipped to end users. Failure of our ZEVs to perform to specifications, or other product defects, could lead to substantial damage to sales of our customers vehicles. Any such defect may cause us to incur significant warranty, support and repair or replacement costs, write off the value of related inventory, cause us to lose market share, and divert the attention of our personnel from our product development efforts to find and correct the issue. In addition, an error or defect in our products after commencement of commercial shipments could result in failure to achieve market acceptance, harm our relationships with customers and partners and harm consumers' perceptions of our brand. Furthermore, all products sold must comply with federal, state and provincial motor vehicle safety standards. In both Canada and the United States vehicles that meet or exceed all federally mandated safety standards are certified under the federal regulations. In this regard, Canadian and U.S. motor vehicle safety standards are substantially the same. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving federal certification. Failure by us to have our current or future products satisfy motor vehicle standards would have a material adverse effect on our business and operating results.

***Insufficient warranty reserves to cover warranty claims could materially adversely affect our business, prospects, financial condition and operating results.***

We provide a manufacturer's warranty on zero-emission powertrains we sell. We maintain warranty reserves to cover warranty-related claims. If our warranty reserves are inadequate to cover warranty claims on our ZEVs or zero-emission powertrains, our business, prospects, financial condition and operating results could be materially and adversely affected. We may become subject to significant and unexpected

warranty expenses. There can be no assurances that then-existing warranty reserves will be sufficient to cover all claims.

***Our suppliers rely on production facilities with complex machinery for our production, which involves a significant degree of risk and uncertainty in terms of operational performance and costs.***

Our suppliers may rely on complex machinery for the production of components used in our zero-emission powertrains. This can involve a significant degree of uncertainty and risk in terms of operational performance and costs. The facilities of our suppliers consist of large-scale machinery combining many components. These components may suffer unexpected malfunctions from time to time and will depend on repairs and spare parts to resume operations, which may not be available when needed.

***SEA is exposed to fluctuations in currency exchange rates that could negatively impact SEA's business and financial result.***

Because a portion of SEA's business is conducted outside of Canada, SEA faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, which could adversely affect SEA's business and financial results.

### **Risks Related to Intellectual Property**

***We may need to defend ourselves against patent or trademark infringement claims, which may be time-consuming and cause us to incur substantial costs.***

Companies, organizations or individuals, including our competitors, may own or obtain patents, trademarks or other proprietary rights that would prevent or limit our ability to make, use, develop or sell our zero-emission powertrains, which could make it more difficult for us to operate our business. We have received, and may in the future receive, inquiries from patent or trademark owners inquiring whether we infringe their proprietary rights. Companies owning patents or other intellectual property rights relating to zero-emission powertrains may allege infringement of such rights. In response to a determination that we have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease development, sales, or use of zero-emission powertrains that incorporate the asserted intellectual property;
- pay substantial damages;
- obtain a license from the owner of the asserted intellectual property right, which license may not be available on reasonable terms or at all; or
- redesign one or more aspects or systems of our zero-emission powertrains.

From time to time, the holders of such intellectual property rights may assert their rights and urge us to take licenses, and/or may bring suits alleging infringement or misappropriation of such rights. We may consider the entering into licensing agreements with respect to such rights, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur, and such licenses could significantly increase our operating expenses. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to cease making, selling or incorporating certain components or intellectual property into the goods and services we offer, to pay substantial damages and/or license royalties, to redesign our products and services, and/or to establish and maintain alternative branding for our products and services.

A successful claim of infringement against us could materially adversely affect our business, prospects, operating results and financial condition. Any litigation or claims, whether valid or invalid, could result in substantial costs and diversion of resources.

We may license software and other technology from time to time. Our use of licensed technology may infringe on the rights of one or more third parties. In such cases, we will seek indemnification from our licensors. However, our rights to indemnification may be unavailable or insufficient to cover our costs and losses.

***Our business may be adversely affected if we are unable to protect our intellectual property rights from unauthorized use by third parties.***

Failure to adequately establish and protect our intellectual property rights could result in our competitors offering similar products, potentially resulting in the loss of some of our competitive advantage and a decrease in our revenue which would adversely affect our business, prospects, financial condition and operating results. Our success depends, at least in part, on our and our collaborators' ability to protect our core technology and intellectual property. To accomplish this, we will rely on a combination of trade secrets (including know-how), patents, employee and third-party nondisclosure agreements, copyright, trademarks, intellectual property licenses and other contractual rights to establish and protect our rights in our technology.

The protection of our intellectual property rights will be important to our future business opportunities. However, the measures we take to protect our intellectual property from unauthorized use by others may not be effective for various reasons, including the following:

- any future patent applications we submit may not result in the issuance of patents
- the scope of our issued patents may not be broad enough to protect our proprietary rights;
- our issued patents may be challenged and/or invalidated by our competitors;
- we may not be the first inventor of the subject matter to which we have filed a particular patent application, and we may not be the first party to file such a patent application;
- patents have a finite term, and competitors and other third parties may offer identical or similar products after the expiration of our patents that cover such products;
- our employees or business partners may breach their confidentiality, non-disclosure and non-use obligations to us;
- the costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement impractical;
- third-parties may independently develop technologies that are the same or similar to ours;
- current and future competitors may circumvent our patents; and
- in-licensed patents may be invalidated, or the owners of these patents may breach our license arrangements.

Patent, trademark, and trade secret laws vary significantly throughout the world. Some foreign countries do not protect intellectual property rights to the same extent as do the laws of Canada and the United States. Further, policing the unauthorized use of our intellectual property in foreign jurisdictions may be difficult. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of Canada or the United States.

Litigation may also be necessary to enforce patents issued or licensed to us or our collaborators or to determine the scope and validity of a third party's proprietary rights. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent

suits brought against or initiated by our collaborators or if we initiate such suits, and there can be no assurance that funds or resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our collaborators to cease using certain technology or products, any of which may have a material adverse effect on our business, financial condition and results of operations.

Also, while we have registered trademarks in an effort to protect our investment in our brand and goodwill with customers, competitors may challenge the validity of those trademarks and other brand names in which we have invested. Such challenges can be expensive and may adversely affect our ability to maintain the goodwill gained in connection with a particular trademark.

### **Risks Related to Cybersecurity and Data Privacy**

***Breaches in data security, failure of information security systems and privacy concerns could adversely impact our financial condition, subject us to penalties, damage our reputation and brand, and harm our business, prospects, financial condition, results of operations, and cash flows.***

We collect, transmit and store confidential and personal and sensitive information of our employees and customers, including names, accounts, user IDs and passwords, vehicle information, and payment or transaction related information. We are also subject to certain laws and regulations, such as “Right to Repair” laws, that require us to provide third-party access to our network and/or vehicle systems.

Increasingly, companies are subject to a wide variety of attacks on their networks and information technology infrastructure on an ongoing basis. Traditional computer “hackers,” malicious code (such as viruses and worms), phishing attempts, employee theft or misuse, denial of service attacks, ransomware attacks and sophisticated nation-state and nation-state supported actors engage in intrusions and attacks that create risks for our (and our suppliers’) internal networks, vehicles, infrastructure, and cloud deployed products and the information they store and process. Although we have implemented security measures to prevent such attacks, our networks and systems may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise, and as a result, an unauthorized party may obtain access to our systems, networks, or data.

We may face difficulties or delays in identifying or otherwise responding to any attacks or actual or potential security breaches or threats. A breach in our data security could create system disruptions or slowdowns and provide malicious parties with access to information stored on our networks, resulting in data being publicly disclosed, altered, lost, or stolen, which could subject us to liability and adversely impact our financial condition. Further, any breach in our data security could allow malicious parties to access sensitive systems, such as our product lines and the vehicles themselves. Such access could adversely impact the safety of our employees and customers.

In addition, we may incur significant financial and operational costs to investigate, remediate and implement additional tools, devices and systems designed to prevent actual or perceived security breaches and other security incidents, as well as costs to comply with any notification obligations resulting from any security incidents. Any of these negative outcomes could adversely impact the market perception of our products and customer and investor confidence in our company, and would materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

***Any unauthorized control or manipulation of our zero-emission powertrains’ systems could result in loss of confidence in us, ZEVs and our zero-emission powertrains and harm our business.***

We have designed, implemented and tested security measures intended to prevent unauthorized access to our information technology networks, our zero-emission powertrains and related systems. However, hackers have attempted and may attempt to gain unauthorized access to modify, alter and use such networks, powertrains and systems to gain control of or to change our powertrains’ functionality, user

interface and performance characteristics, or to gain access to data stored in or generated by the powertrain. Future vulnerabilities could be identified and our efforts to remediate such vulnerabilities may not be successful. Any unauthorized access to or control of our powertrains or their systems, or any loss of customer data, could result in legal claims or proceedings. In addition, regardless of their veracity, reports of unauthorized access to our powertrains, systems or data, as well as other factors that may result in the perception that our powertrains, systems or data are capable of being “hacked,” could negatively affect our brand and harm our business, prospects, financial condition and operating results.

***We retain certain personal information about our customers, employees or others and may be subject to various privacy laws.***

We are subject to or affected by a number of federal, state, provincial and local laws and regulations, as well as contractual obligations and industry standards, that impose certain obligations and restrictions with respect to data privacy and security, and govern our collection, storage, retention, protection, use, processing, transmission, sharing and disclosure of personal information including that of our employees, customers and others. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities and others of security breaches involving certain types of data. Such laws may be inconsistent or may change or additional laws may be adopted. In addition, our agreements with certain customers may require us to notify them in the event of a security breach. Such mandatory disclosures are costly, could lead to negative publicity, result in penalties or fines, result in litigation, may cause our customers to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the actual or perceived security breach.

The global data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. We may not be able to monitor and react to all developments in a timely manner.

We collect, store, transmit and otherwise process data from customers, employees and others as part of our business and operations, which may include personal data or confidential or proprietary information. We also work with partners and third-party service providers or vendors that collect, store and process such data on our behalf. There can be no assurance that any security measures that we or our third-party service providers or vendors have implemented will be effective against current or future security threats. If a compromise of data were to occur, we may become liable under our contracts with other parties and under applicable law for damages and incur penalties and other costs to respond to, investigate and remedy such an incident. Our systems, networks and physical facilities could be breached or personal information could otherwise be compromised due to employee error or malfeasance, if, for example, third parties attempt to fraudulently induce our employees or our customers to disclose information or usernames and/or passwords. Third parties may also exploit vulnerabilities in, or obtain unauthorized access to, platforms, systems, networks and/or physical facilities utilized by our service providers and vendors.

We use our electronic systems to log information about each vehicle’s use in order to aid us in vehicle telematics, diagnostics, repair and maintenance. Our customers may object to the use of this data, which may increase our vehicle maintenance costs and harm our business prospects. Possession and use of our customers’ information in conducting our business may subject us to legislative and regulatory burdens in the United States and other jurisdictions that could require notification of data breaches, restrict our use of such information and hinder our ability to acquire new customers or market to existing customers. The regulatory framework for data privacy and security is rapidly evolving, and we may not be able to monitor and react to all developments in a timely manner. As legislation continues to develop, we will likely be required to expend significant additional resources to continue to modify or enhance our protective measures and internal processes to comply with such legislation. Non-compliance or a major breach of our network security and systems could have serious negative consequences for our business and future prospects, including possible fines, penalties and damages, reduced customer demand for our ZEVs, and harm to our reputation and brand.

## Risks Related to Litigation and Regulation

***We operate in a highly regulated industry, and if we fail to comply with applicable regulations we could face fines and penalties that could negatively impact our reputation and our financial results; in addition, future regulations applicable to us or our suppliers could increase costs and could substantially harm our business and operating results.***

Our zero-emission powertrains, and the sale of electric motor vehicles in general, are subject to substantial regulation under international, federal, state, provincial and local laws. We continue to evaluate requirements for licenses, approvals, certificates and governmental authorizations necessary to manufacture, sell or service our electrified powertrain solutions in the jurisdictions in which we plan to operate and intend to take such actions necessary to comply. We may experience difficulties in obtaining or complying with various licenses, approvals, certifications and other governmental authorizations necessary to manufacture, sell or service their electrified powertrain solutions in any of these jurisdictions. For instance, our electrified powertrain solutions may not be readily classified into categories by governmental agencies. If we or our suppliers are unable to obtain or comply with any of the licenses, approvals, certifications or other governmental authorizations necessary to carry out our operations in the jurisdictions in which we currently operate, or those jurisdictions in which we plan to operate in the future, our business, prospects, financial condition and operating results could be materially adversely affected. We expect to incur significant costs in complying with these regulations. For example, if the battery packs installed in our electrified powertrain solutions are deemed to be transported, we will need to comply with the mandatory regulations governing the transport of “dangerous goods,” and any deficiency in compliance may result in us being prohibited from selling our electrified powertrain solutions until compliant batteries are installed. Regulations related to the electric vehicle industry and alternative energy are currently evolving and we face risks associated with changes to these regulations, including but not limited to:

- increased subsidies for corn and ethanol or soy and biodiesel production, which could reduce the operating cost of vehicles that use ethanol or biodiesel, or a combination of renewable and petroleum fuels;
- increased support for other alternative fuel systems, which could have an impact on the acceptance of our electric powertrain system; and
- increased sensitivity by regulators to the needs of established automobile manufacturers with large employment bases, high fixed costs and business models based on the internal combustion engine, which could lead them to pass regulations that could reduce the compliance costs of such established manufacturers or mitigate the effects of government efforts to promote alternative fuel vehicles.

To the extent that laws or regulations change, electric powertrains may not comply with applicable international, federal, state, provincial or local laws, which would have an adverse effect on our business. Compliance with changing regulations could be burdensome, time consuming, and expensive. To the extent compliance with new regulations is cost prohibitive, our business, prospects, financial condition and operating results would be adversely affected. Further, delays, reduction, or elimination of applicable international, federal, or state laws or regulations requiring or incentivizing reductions in emissions of greenhouse gases or other pollutants from internal combustion engines or requiring or incentivizing manufacturers to offer for sale increasing numbers of ZEVs may result in the diminished competitiveness of the alternative fuel and electric vehicle industry generally. This could materially and adversely affect the growth of the electric vehicle markets and our business, prospects, financial condition and operating results.

***We may not have adequate insurance coverage for possible claims, lawsuits, product recalls or other damages claims made against us.***

The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies, including premium increases or the imposition of



large deductible or co-insurance requirements, could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

***The unavailability, reduction or elimination of government and economic incentives could have a material adverse effect on our business, prospects, financial condition and operating results.***

Any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of the electric vehicle industry or other reasons may result in the diminished competitiveness of the electric vehicle industry generally. This could materially and adversely affect the growth of our business, prospects, financial condition and operating results.

While certain subsidies, rebate vouchers, tax credits and other incentives for alternative energy production and electric vehicles have been available in the past, there is no guarantee these incentives will be available in respect of our vehicles or otherwise to our customers in the future, on the same terms and conditions or at all. The unavailability, reduction, discriminatory application or elimination of current governmental programs, subsidies or incentives could significantly affect our ability to market or sell our products or materially adversely affect our business, results of operations or financial condition. As federal, state, provincial or local legislation related to electric vehicles or data protection continues to develop, we will likely be required to expend significant additional resources to continue to modify or enhance our products, protective measures and internal processes to comply with such legislation.

In particular, we are influenced by federal, state, provincial and local tax credits, rebates, grants and other government programs. Lawmakers, regulators, policymakers, environmental or advocacy organizations, OEMs, trade groups, suppliers or other groups may invest significant time and money in efforts to delay, repeal or otherwise negatively influence regulations and programs that promote electric vehicles. Many of these parties have substantially greater resources and influence than we do. Further, changes in federal, state, provincial or local political, social or economic conditions, including a lack of legislative focus on these programs and regulations, could result in their modification, delayed adoption or repeal. Any failure to adopt, delay in implementation, expiration, repeal or modification of these programs and regulations, or the adoption of any programs or regulations that encourage the use of other alternative fuels or alternative vehicles over electric vehicles, would reduce the market for electrified powertrains and harm our operating results, liquidity and financial condition. If these economic incentives or regulatory programs are reduced, eliminated or never finalized and enacted, there could be a reduction in demand for ZEVs, which could have a material adverse effect on our business, prospects, financial condition and operating results.

***We may in the future be, subject to lawsuits or indemnity claims in the ordinary course of business, including product liability claims and securities litigation resulting in possible class action and derivative lawsuits, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.***

Lawsuits, including a product liability claim, could result in substantial damages and be costly and time-consuming for us to defend. Under certain circumstances, our customers may be required to recall or withdraw the products incorporating our technology. Even if a situation does not necessitate a recall or market withdrawal, product liability claims may be asserted against us. Moreover, a product liability claim against us or our competitors could generate substantial negative publicity about us, our products and our business and could have a material adverse effect on our brand, business, prospects, financial condition and operating results. We may self-insure against the risk of product liability claims for vehicle exposure, meaning that any product liability claims will likely have to be paid from company funds, not by insurance.

***Product recalls could materially adversely affect our business, prospects, operating results and financial condition.***

We have, and may in the future, voluntarily or involuntarily, initiate a recall if any of our powertrain components, such as wiring or batteries, prove to be defective or noncompliant with applicable federal

motor vehicle safety standards. If a large number of vehicles are the subject of a recall or if needed replacement parts are not in adequate supply, we may not be able to re-deploy recalled vehicles for a significant period of time. Such recalls involve significant expense and diversion of management attention and other resources, which could adversely affect our brand image in our target markets, as well as our business, prospects, financial condition and results of operations.

***We are subject to various environmental laws and regulations that could impose substantial costs upon us and give rise to liabilities.***

Our operations are and will continue to be subject to federal, state, provincial and/or local environmental laws and regulations, including laws relating to water use; air emissions; use of recycled materials; energy sources; the protection of human health and the environment; and the use, handling, storage, disposal and human exposure to hazardous materials. Environmental and health and safety laws and regulations can be complex, and we expect that we will be affected by future amendments to such laws or other new environmental and health and safety laws and regulations which may require us to change our operations, potentially resulting in a material adverse effect on our business, prospects, financial condition, and operating results. Violations of these laws, regulations, and permits, certificates and registrations can give rise to liability for administrative oversight and correction costs, clean-up costs, property damage, bodily injury and fines and penalties.

***Our employees and independent contractors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could have a material adverse effect on our business, results of operations or financial condition.***

We are exposed to the risk that our employees, independent contractors or other parties we collaborate with may engage in misconduct or other illegal activity. Misconduct by these parties could include intentional, reckless or negligent conduct or other activities that violate laws and regulations, including production standards, federal, state and provincial fraud, abuse, data privacy and security laws, other similar laws or laws that require the true, complete and accurate reporting of financial information or data. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting it from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. In addition, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could have a material adverse effect on our business, results of operations or financial condition, including, without limitation, by way of imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgement, integrity oversight and reporting obligations to resolve allegations of non-compliance, imprisonment, other sanctions, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations.

***Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could expose us to greater than anticipated tax liabilities.***

The U.S. federal and state tax laws applicable to our business are subject to interpretation and tax authorities may aggressively interpret these laws in an effort to raise additional tax revenue. The tax authorities of the jurisdictions in which we operate may challenge our methodologies for our valuations or our revenue recognition policies, which could increase our effective tax rate and harm our financial position and results of operations. It is possible that tax authorities may disagree with certain positions we have taken, and any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. Further, the determination of our provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied.

***We are subject to U.S. and foreign anti-corruption and anti-money laundering laws and regulations. We can face criminal liability and other serious consequences for violations, which can harm our business.***

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S. Code § 201, the Travel Act contained in 18 U.S. Code § 1952, the USA PATRIOT Act and possibly other anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors and other collaborators from authorizing, promising, offering or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors and other collaborators, even if we do not explicitly authorize or have actual knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm and other consequences.

***Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect our business, investments and results of operations.***

We are subject to laws, regulations and rules enacted by national, regional and local governments. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Those laws, regulations and rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations and rules, as interpreted and applied, could have a material adverse effect on our business and results of operations. New laws and regulations could make it more difficult to obtain certain types of insurance, including director's and officer's liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage, to the extent that such coverage remains available. The impact of these events could also make it more difficult for us to attract and retain qualified persons. Although we evaluate and monitor developments with respect to new rules and laws, we cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs with respect to such evaluations and/or compliance and cannot provide assurances that such additional costs will render us compliant with such new rules and laws.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

From time to time, SEA may be involved in litigation or regulatory proceedings relating to claims arising out of the ordinary course of its business including, but not limited to, product liability, employment matters, patents and trademarks, and customer account collections. SEA is not a party to, and, to its knowledge, there are not threats of any claims or actions against SEA, the ultimate disposition of which would have a material adverse effect on its consolidated results of operations or liquidity. SEA is aware of four putative shareholder class actions that have been filed since the announcement of the merger with Exro Technologies Inc. which challenge the proposed merger. SEA believe that the claims are without merit and intends to defend the actions vigorously.

SEA has not been subject to any material penalties or sanctions imposed by a court or regulatory body within the three years immediately preceding the date of the Circular. Management of SEA is not aware of any such penalties or sanctions imposed against SEA.