

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended July 2, 2023

OR

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

For the transition period from _____ to _____

Commission file number: 001-39599

HOLLEY INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

87-1727560
(I.R.S. Employer Identification No.)

1801 Russellville Road, Bowling Green, KY 42101
(Address of principal executive offices)

(270) 782-2900
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report) N/A

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001	HLLY	New York Stock Exchange
Warrants to purchase common stock	HLLY WS	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T(\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

There were 118,343,604 shares of Common Stock, including 1,093,750 restricted earn-out shares, par value \$0.0001 per share, issued and outstanding as of August 4, 2023.

TABLE OF CONTENTS

[PART I – FINANCIAL INFORMATION](#)

Item 1. Financial Statements.	5
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.	27
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	37
Item 4. Controls and Procedures	37

[PART II – OTHER INFORMATION](#)

Item 1. Legal Proceedings.	38
Item 1A. Risk Factors.	38
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	38
Item 3. Defaults Upon Senior Securities.	38
Item 4. Mine Safety Disclosures	38
Item 5. Other Information.	38
Item 6. Exhibits.	39
SIGNATURE	40

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Securities Act and Exchange Act, as well as protections afforded by other federal securities laws. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for the Company's business. Forward-looking statements may be accompanied by words such as "believe," "estimate," "expect," "project," "forecast," "may," "will," "should," "seek," "plan," "scheduled," "anticipate," "intend" or similar expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside our control. Therefore, you should not place undue reliance on such statements. Actual results could differ materially due to numerous factors, including but not limited to the Company's ability to do any of the following:

- execute its business strategy, including monetization of services provided and expansions in and into existing and new lines of business;
- anticipate and manage through disruptions and higher costs in manufacturing, supply chain, logistical operations, and shortages of certain company products in distribution channels;
- anticipate and manage through supply shortages of key component parts used in our products and the need to shift the mix of products offered in response thereto;
- respond to interruption from catastrophic events and problems such as terrorism, public health crises, cyber-attacks, or failure of key information technology systems;
- maintain key strategic relationships with partners and resellers;
- anticipate and manage through the impact of elevated interest rate levels, which cause the cost of capital to increase, as well as respond to inflationary pressures;
- enhance future operating and financial results;
- respond to uncertainties associated with product and service development and market acceptance;
- anticipate and manage through increased constraints in consumer demand and/or shifts in the mix of products sold;
- attract and retain qualified employees and key personnel;
- protect and enhance the Company's corporate reputation and brand awareness;
- recognition of goodwill and other intangible asset impairment charges;
- effectively respond to general economic and business conditions;
- acquire and protect intellectual property;
- collect, store, process and use personal and payment information and other consumer data;
- comply with privacy and data protection laws and other legal obligations related to privacy, information security, and data protection;
- meet future liquidity requirements and comply with restrictive covenants related to long-term indebtedness;
- obtain additional capital, including use of the debt market;

- manage to finance operations on an economically viable basis;
- maintain Holley's New York Stock Exchange ("NYSE") listing of its common stock ("Common Stock") and warrants to purchase Common Stock ("Warrants");
- comply with existing and/or future laws and regulations applicable to its business, including laws and regulations related to environmental health and safety;
- respond to litigation, complaints, product liability claims and/or adverse publicity;
- anticipate the significance and timing of contractual obligations;
- anticipate the impact of, and response to, new accounting standards;
- maintain proper and effective internal controls;
- respond to the impact of changes in U.S. tax laws and regulations, including the impact on deferred tax assets;
- anticipate the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act");
- anticipate the impact of changes in consumer spending patterns, consumer preferences, local, regional and national economic conditions, crime, weather, and demographic trends; and
- respond to other risks and factors, listed under the caption "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the U.S. Securities and Exchange Commission (the "SEC") on March 15, 2023, in Part II. Item 1A of this Quarterly Report on Form 10-Q, and/or as disclosed in any subsequent filings with the SEC.

Forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q and our management's expectations, forecasts and assumptions, and involve a number of judgements, risks and uncertainties, and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We undertake no obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I – FINANCIAL INFORMATION**Item 1. Financial Statements**

HOLLEY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	As of	
	July 2, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	\$ 42,740	\$ 26,150
Accounts receivable, less allowance for credit losses of \$2,092 and \$1,550 respectively	57,080	47,083
Inventory	217,504	233,573
Prepays and other current assets	15,951	18,157
Total current assets	333,275	324,963
Property, plant, and equipment, net	49,691	52,181
Goodwill	419,056	418,121
Other intangibles assets, net	417,613	424,855
Right-of-use assets	28,965	29,522
Other noncurrent assets	2,068	—
Total assets	<u>\$ 1,250,668</u>	<u>\$ 1,249,642</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 43,774	\$ 44,948
Accrued interest	6,261	5,994
Accrued liabilities	46,605	43,317
Current portion of long-term debt	6,571	7,000
Total current liabilities	103,211	101,259
Long-term debt, net of current portion	629,435	643,563
Warrant liability	7,725	4,272
Earn-out liability	2,565	1,176
Deferred taxes	47,727	58,390
Long-term operating lease liabilities	24,589	24,992
Total liabilities	815,252	833,652
Commitments and contingencies (Refer to Note 18 - Commitments and Contingencies)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, none issued and outstanding on July 2, 2023 and December 31, 2022	—	—
Common stock, \$0.0001 par value, 550,000,000 shares authorized, 117,249,854 and 117,147,997 shares issued and outstanding on July 2, 2023 and December 31, 2022, respectively	12	12
Additional paid-in capital	370,249	368,122
Accumulated other comprehensive loss	(871)	(944)
Retained earnings	66,026	48,800
Total stockholders' equity	435,416	415,990
Total liabilities and stockholders' equity	<u>\$ 1,250,668</u>	<u>\$ 1,249,642</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOLLEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	For the thirteen weeks ended		For the twenty-six weeks ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Net sales	\$ 175,262	\$ 179,420	\$ 347,467	\$ 379,475
Cost of goods sold	105,514	104,132	210,006	221,466
Gross profit	69,748	75,288	137,461	158,009
Selling, general, and administrative	29,101	36,269	59,118	70,611
Research and development costs	6,182	8,196	12,835	16,357
Amortization of intangible assets	3,674	3,662	7,353	7,323
Acquisition and restructuring costs	352	1,691	1,691	1,981
Other operating expense	485	325	536	547
Total operating expense	39,794	50,143	81,533	96,819
Operating income	29,954	25,145	55,928	61,190
Change in fair value of warrant liability	2,017	(23,168)	3,452	(20,941)
Change in fair value of earn-out liability	961	(4,234)	1,389	(1,853)
Interest expense	9,899	8,961	28,197	16,352
Total non-operating expense (income)	12,877	(18,441)	33,038	(6,442)
Income before income taxes	17,077	43,586	22,890	67,632
Income tax expense	4,098	3,023	5,664	10,211
Net income	\$ 12,979	\$ 40,563	\$ 17,226	\$ 57,421
Comprehensive income:				
Foreign currency translation adjustment	272	501	73	742
Total comprehensive income	\$ 13,251	\$ 41,064	\$ 17,299	\$ 58,163
Common Share Data:				
Weighted average common shares outstanding - basic	117,221,419	116,931,623	117,187,287	116,398,177
Weighted average common shares outstanding - diluted	117,868,922	117,114,553	117,556,657	117,343,975
Basic net income per share	\$ 0.11	\$ 0.35	\$ 0.15	\$ 0.49
Diluted net income per share	\$ 0.11	\$ 0.35	\$ 0.15	\$ 0.31

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOLLEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Gain (Loss)	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount				
Balance at December 31, 2021	115,805,639	\$ 12	\$ 329,705	\$ (256)	\$ (24,974)	\$ 304,487
Net income	—	—	—	—	16,858	16,858
Equity compensation	—	—	3,162	—	—	3,162
Foreign currency translation	—	—	—	241	—	241
Issuance of vested Earn-out Shares	1,093,750	—	14,689	—	—	14,689
Balance at April 3, 2022	116,899,389	12	347,556	(15)	(8,116)	339,437
Net income	—	—	—	—	40,563	40,563
Equity compensation	—	—	3,483	—	—	3,483
Foreign currency translation	—	—	—	501	—	501
Warrants exercised	33,333	—	383	—	—	383
Balance at July 3, 2022	<u>116,932,722</u>	<u>\$ 12</u>	<u>\$ 351,422</u>	<u>\$ 486</u>	<u>\$ 32,447</u>	<u>\$ 384,367</u>
Balance at December 31, 2022	117,147,997	\$ 12	\$ 368,122	\$ (944)	\$ 48,800	\$ 415,990
Net income	—	—	—	—	4,247	4,247
Equity compensation	—	—	394	—	—	394
Foreign currency translation	—	—	—	(199)	—	(199)
Tax withholding related to vesting of restricted stock units	—	—	(34)	—	—	(34)
Issuance of shares for restricted stock units	24,219	—	—	—	—	—
Balance at April 2, 2023	117,172,216	12	368,482	(1,143)	53,047	420,398
Net income	—	—	—	—	12,979	12,979
Equity compensation	—	—	1,806	—	—	1,806
Foreign currency translation	—	—	—	272	—	272
Tax withholding related to vesting of restricted stock units	—	—	(39)	—	—	(39)
Issuance of shares for restricted stock units	77,638	—	—	—	—	—
Balance at July 2, 2023	<u>117,249,854</u>	<u>\$ 12</u>	<u>\$ 370,249</u>	<u>\$ (871)</u>	<u>\$ 66,026</u>	<u>\$ 435,416</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOLLEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the twenty-six weeks ended	
	July 2, 2023	July 3, 2022
OPERATING ACTIVITIES:		
Net income	\$ 17,226	\$ 57,421
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	4,953	4,663
Amortization of intangible assets	7,353	7,323
Amortization of deferred loan costs	901	846
Amortization of right of use assets	2,707	2,753
Gain on termination of leases	—	(279)
Fair value adjustments to warrant liability	3,452	(20,941)
Fair value adjustments to earn-out liability	1,389	(1,853)
Fair value adjustments to interest rate collar	(2,068)	—
Equity compensation	2,200	6,645
Change in deferred taxes	(10,663)	(1,090)
Loss on disposal of property, plant and equipment	69	336
Provision for inventory reserves	2,973	2,787
Provision for credit losses	717	145
Change in operating assets and liabilities:		
Accounts receivable	(10,707)	(6,343)
Inventories	11,691	(29,483)
Prepays and other current assets	2,239	3,838
Accounts payable	(1,337)	(5,778)
Accrued interest	267	484
Accrued and other liabilities	1,021	(643)
Net cash provided by operating activities	34,383	20,831
INVESTING ACTIVITIES:		
Capital expenditures	(2,738)	(9,609)
Proceeds from the disposal of fixed assets	356	244
Cash paid for acquisitions, net	—	(14,077)
Net cash used in investing activities	(2,382)	(23,442)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	—	27,000
Principal payments on long-term debt	(14,072)	(30,099)
Deferred financing fees	(1,427)	—
Payments from stock-based award activities	(73)	—
Proceeds from issuance of common stock in connection with the exercise of Warrants	—	383
Net cash used in financing activities	(15,572)	(2,716)
Effect of foreign currency rate fluctuations on cash	161	(443)
Net change in cash and cash equivalents	16,590	(5,770)
Cash and cash equivalents:		
Beginning of period	26,150	36,325
End of period	\$ 42,740	\$ 30,555
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 29,097	\$ 16,005
Cash paid for income taxes	12,021	4,276
Noncash investing and financing activities:		
Vested Earn-out Shares issued to Empower Sponsor Holdings LLC	\$ —	\$ 14,689

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

1. DESCRIPTION OF THE BUSINESS, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Holley Inc., a Delaware corporation headquartered in Bowling Green, Kentucky (the “Company” or “Holley”), conducts operations through its wholly owned subsidiaries. These operating subsidiaries are comprised of Holley Performance Products Inc. (“Holley Performance”), Hot Rod Brands, Inc. (“Hot Rod Brands”), Simpson Safety Solutions, Inc., B&M Racing and Performance Products, Inc., and Speedshop.com, Inc.

The Company consummated a business combination (the “Business Combination”) pursuant to that certain Agreement and Plan of Merger dated March 11, 2021 (the “Merger Agreement”), by and among Empower Ltd., (“Empower”), Empower Merger Sub I Inc., Empower Merger Sub II LLC, and Holley Intermediate Holdings, Inc. (“Holley Intermediate”) on July 16, 2021, (the “Closing” and such date, the “Closing Date”). The Business Combination was accounted for as a reverse recapitalization in which Holley Intermediate was deemed the accounting acquirer with Holley Inc. as the successor registrant. As such, Empower was treated as the acquired company for financial reporting purposes. On the Closing Date, Empower changed its name to Holley Inc. and its trading symbol on the New York Stock Exchange (the “NYSE”) from “EMPW” to “HLLY.”

The Company designs, manufactures and distributes performance automotive products to customers primarily in the United States, Canada and Europe. The Company is a leading manufacturer of a diversified line of performance automotive products, including carburetors, fuel pumps, fuel injection systems, nitrous oxide injection systems, superchargers, exhaust headers, mufflers, distributors, ignition components, engine tuners and automotive performance plumbing products. The Company is also a leading manufacturer of exhaust products as well as shifters, converters, transmission kits, transmissions, tuners and automotive software. The Company's products are designed to enhance street, off-road, recreational and competitive vehicle performance through increased horsepower, torque and drivability. The Company has locations in the United States, Canada, Italy and China.

Emerging Growth Company Status

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company is an emerging growth company, and, as such, has elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards.

Risks and Uncertainties

The Company's business and results of operations, financial condition, and liquidity are impacted by broad economic conditions including inflation, labor shortages, and disruption of the supply chain, as well as by geopolitical events, specifically the conflict in Ukraine. The Company's operations have been adversely impacted by inflationary pressures primarily related to transportation, labor and component costs. Sales growth in certain products has been constrained by continuing supply chain challenges and automotive electronic component shortages. In response to the global supply chain volatility and inflationary impacts, the Company has attempted to minimize potential adverse impacts on its business with cost savings initiatives, price increases to customers, and by increasing inventory levels of certain products and working closely with its suppliers and customers to minimize disruptions in delivering products to customers. Our profitability has been, and may continue to be, adversely affected by constrained consumer demand, a shift in sales to lower-margin products, and demands on our performance that increase our costs. Should the ongoing macroeconomic conditions not improve, or worsen, or if the Company's attempt to mitigate the impact on its supply chain, operations and costs is not successful, the Company's business, results of operations and financial condition may be adversely affected.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP" or "GAAP") and applicable rules and regulations of the SEC regarding interim financial reporting. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2022, as filed with the SEC on March 15, 2023, in the Company's annual report on Form 10-K. In management's opinion, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal and recurring nature, that are necessary for a fair presentation of financial results for the interim periods presented. Operating results for any quarter are not necessarily indicative of the results for the full fiscal year.

The Company operates on a fiscal year that ends on December 31, 2023 and 2022. The three- and six-month periods ended July 2, 2023 and July 3, 2022 each included 13 weeks and 26 weeks, respectively.

Principles of Consolidation

These unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Summary of Significant Accounting Policies

The following are updates to the significant accounting policies described in our audited consolidated financial statements as of and for the year ended December 31, 2022.

Equity-Based Compensation

The Company accounts for equity-based awards granted to employees and nonemployees under the fair value method prescribed by Accounting Standards Codification ("ASC") Subtopic 718-10, Stock Compensation. Equity-based compensation cost is measured based on the estimated grant date fair value of the award and is recognized as expense over the requisite service period (generally the vesting period). The fair value of stock options is estimated using the Black Scholes option-pricing model. Restricted stock units are valued at the stock price on the grant date. The fair value of profit interest units ("PIUs") granted by Holley Parent Holdings, LLC (the "Holley Stockholder") is estimated based on the Company's estimated equity value for each unit class at the time of granting using the Black-Scholes option-pricing model, discounted to reflect market considerations for illiquidity.

Performance share units that vest based on the achievement of company-designated performance targets are valued at the stock price on the grant date. Compensation expense in respect of such performance share units is recognized each period based on the expected level of achievement and, to the extent that the expected levels of achievement change, compensation cost is adjusted in the period of change with the remaining unrecognized cost recognized over the remaining requisite service period. For performance share units that vest based on the achievement of predetermined market conditions, the Company estimates the grant date fair value using a Monte Carlo simulation model. The fair value associated with each tranche of the award is recognized, straight-line, over the associated requisite service period for that tranche, subject to acceleration if the market condition is met prior to the end of the derived service period.

Unless the awards contain a market condition, previously recognized expense related to forfeited awards is reversed in the period in which the forfeiture occurs. For awards containing a market condition, previously recognized stock-based compensation expense is not reversed when the awards are forfeited as long as the service is provided for the duration of the required service period.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC Topic 815, Derivatives and Hedging. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. Derivative liabilities are classified on the balance sheet as current or non-current based on whether or not net cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

The Company uses derivative instruments to manage its exposure to changes in interest rates on borrowings under its debt facility. These derivative instruments are primarily valued on the basis of quotes obtained from banks, brokers, and/or dealers. The valuation of the derivative instruments considers future expected interest rates on the notional principal balance remaining, which is comparable to what a prospective acquirer would pay on the measurement date. Valuation pricing models consider inputs such as forward rates, anticipated interest rate volatility relating to the reference rate, as well as time value, counterparty risk and other factors underlying derivative instruments.

Recent Accounting Pronouncements

Accounting Standards Recently Adopted

In October 2021, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU requires entities to apply the definition of a performance obligation under ASC Topic 606, *Revenue from Contracts with Customers*, to recognize and measure contract assets and contract liabilities (i.e., deferred revenue) relating to contracts with customers that are acquired in a business combination. Prior to the adoption of ASU 2021-08, an acquirer generally recognized assets acquired, and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. ASU No. 2021-08 results in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. The Company adopted ASU 2021-08 on January 1, 2023. Adoption of ASU 2021-08 did not impact the Company's consolidated financial statements.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

2. ACQUISITIONS

In 2022, the Company completed three acquisitions. These acquisitions are expected to enhance the Company's portfolio of products and services in the automotive aftermarket and automotive safety solutions market.

The Company accounts for acquisitions using the acquisition method, and accordingly, the purchase price has been allocated based upon the fair value of the assets acquired and liabilities assumed. The valuation of the assets acquired and liabilities assumed is subject to revision. If additional information becomes available, the Company may further revise the purchase price allocation as soon as practical, but no later than one year from the acquisition date. Goodwill generated by the acquisitions is primarily attributable to the strong market position of the entities acquired.

Purchase price consideration for all acquisitions was paid primarily in cash. All acquisitions were for 100 percent of the acquired business and are reported in the Consolidated Statements of Cash Flows, net of acquired cash and cash equivalents. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs, are typically expensed in the periods in which the costs are incurred and are recorded in acquisition and restructuring costs. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

In 2022, the Company acquired substantially all the assets of John's Ind., Inc. ("John's"), Southern Kentucky Classics ("SKC"), and Vesta Motorsports USA, Inc., doing business as RaceQuip ("RaceQuip"). These acquisitions were immaterial business combinations. Cash paid for the three acquisitions, net of cash acquired, was \$14,863, and was funded with borrowings from the Company's credit facility and cash on hand. The acquisitions resulted in both amortizable and nonamortizable intangibles and goodwill totaling \$10,553. The goodwill and intangibles generated as a result of these acquisitions are deductible for income tax purposes. The final allocation of the purchase price allocation to specific assets acquired and liabilities assumed was adjusted to reflect the final fair value estimate of acquired assets and liabilities, as noted below.

The allocation of the purchase price to the assets acquired and liabilities assumed was based on estimates of the fair value of the net assets as follows:

	2022 (as initially reported)	Measurement Period Adjustments	2022 (as adjusted)
Accounts receivable	\$ 959	\$ (397)	\$ 562
Inventory	3,481	146	3,627
Property, plant and equipment	275	—	275
Other assets	1,132	(1,108)	24
Tradenames	1,689	—	1,689
Customer relationships	1,512	—	1,512
Goodwill	5,858	1,494	7,352
Accounts payable	(25)	(133)	(158)
Accrued liabilities	(18)	(2)	(20)
	<u>\$ 14,863</u>	<u>\$ —</u>	<u>\$ 14,863</u>

The fair value of the acquired customer relationship intangible asset was estimated using the excess earnings approach. The customer relationship intangible asset is being amortized based on the attrition rate of customers which was determined to be 20 years. The fair value of the acquired tradenames intangible asset was estimated using the relief from royalty method, a form of the income approach. The tradenames were determined to have an indefinite life.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

3. INVENTORY

Inventories of the Company consisted of the following:

	As of	
	July 2, 2023	December 31, 2022
Raw materials	\$ 71,392	\$ 78,586
Work-in-process	24,915	23,906
Finished goods	121,197	131,081
	<u>\$ 217,504</u>	<u>\$ 233,573</u>

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment of the Company consisted of the following:

	As of	
	July 2, 2023	December 31, 2022
Land	\$ 3,426	\$ 3,426
Buildings and improvements	11,669	11,051
Machinery and equipment	70,947	66,140
Construction in process	5,939	9,563
Total property, plant and equipment	91,981	90,180
Less: accumulated depreciation	42,290	37,999
Property, plant and equipment, net	<u>\$ 49,691</u>	<u>\$ 52,181</u>

The Company's long-lived assets by geographic locations are as follows:

	As of	
	July 2, 2023	December 31, 2022
United States	\$ 47,856	\$ 50,434
International	1,835	1,747
Total property, plant and equipment, net	<u>\$ 49,691</u>	<u>\$ 52,181</u>

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

5. GOODWILL AND OTHER INTANGIBLE ASSETS

The following presents changes to goodwill for the period indicated:

	For the twenty-six weeks ended July 2, 2023
Balance on December 31, 2022	418,121
Measurement period adjustments	935
Balance on July 2, 2023	<u>\$ 419,056</u>

Goodwill represents the premium paid over the fair value of the net tangible and identifiable intangible assets acquired in the Company's business combinations. The measurement period for the valuation of assets acquired and liabilities assumed ends as soon as information on the facts and circumstances that existed as of the acquisition date becomes available, not to exceed 12 months. Adjustments in purchase price allocations may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined.

No impairment charges were incurred during the 13-week and 26-week periods ended July 2, 2023 and July 3, 2022. Potential changes in our costs and operating structure, the implementation of synergies, and overall performance in the automotive aftermarket industry, could negatively impact our near-term cash-flow projections and could trigger a potential impairment of the Company's goodwill and / or indefinite-lived intangible assets. In addition, failure to execute the Company's strategic plans as well as increases in weighted average costs of capital could negatively impact the fair value of the reporting unit and increase the risk of future impairment charges.

Intangible assets consisted of the following:

	July 2, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer relationships	\$ 269,950	\$ (49,949)	\$ 220,001
Tradenames	13,775	(5,206)	8,569
Technology	26,676	(12,742)	13,934
Total finite-lived intangible assets	\$ 310,401	\$ (67,897)	\$ 242,504
Indefinite-lived intangible assets:			
Tradenames	\$ 175,109	—	\$ 175,109
	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer relationships	\$ 269,950	\$ (44,178)	\$ 225,772
Tradenames	13,775	(4,843)	8,932
Technology	26,676	(11,523)	15,153
Total finite-lived intangible assets	\$ 310,401	\$ (60,544)	\$ 249,857
Indefinite-lived intangible assets:			
Tradenames	\$ 174,998	—	\$ 174,998

The following outlines the estimated future amortization expense related to intangible assets held as of July 2, 2023:

2023 (excluding the twenty-six weeks ended July 2, 2023)	\$ 7,204
2024	13,744
2025	13,714
2026	13,608
2027	13,493
Thereafter	180,741
Total	<u>\$ 242,504</u>

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

6. ACCRUED LIABILITIES

Accrued liabilities of the Company consisted of the following:

	As of	
	July 2, 2023	December 31, 2022
Accrued freight	\$ 5,865	\$ 6,861
Accrued employee compensation and benefits	8,682	6,259
Accrued returns and allowances	6,094	5,214
Accrued taxes	8,793	5,222
Current portion of operating lease liabilities	5,112	5,112
Accrued other	12,059	14,649
Total accrued liabilities	\$ 46,605	\$ 43,317

7. DEBT

Debt of the Company consisted of the following:

	As of	
	July 2, 2023	December 31, 2022
First lien term loan due November 17, 2028	\$ 645,636	\$ 649,350
Revolver	—	10,000
Other	2,453	2,770
Less unamortized debt issuance costs	(12,083)	(11,557)
	636,006	650,563
Less current portion of long-term debt	(6,571)	(7,000)
	\$ 629,435	\$ 643,563

On November 18, 2021, the Company entered into a credit facility with a syndicate of lenders and Wells Fargo Bank, N.A., as administrative agent for the lenders, letter of credit issuer and swing line lender (the "Credit Agreement"). The financing consisted of a seven-year \$600,000 first lien term loan, a five-year \$125,000 revolving credit facility, and a \$100,000 delayed draw term loan. The proceeds of delayed draw loans made after closing were available to the Company to finance acquisitions. Upon the expiration of the delayed draw term loan in May 2022, the Company had drawn \$57,000, which is included in the amount outstanding under the first lien term loan due November 17, 2028.

The revolving credit facility includes a letter of credit facility in the amount of \$10,000, pursuant to which letters of credit may be issued as long as revolving loans may be advanced and subject to availability under the revolving credit facility. The Company had \$1,728 in outstanding letters of credit on July 2, 2023.

Proceeds from the credit facility were used to repay in full the Company's obligations under its previously existing first lien and second lien notes and to pay \$13,413 in deferred financing fees related to the refinancing.

The first lien term loan is to be repaid in quarterly payments of \$1,643 through September 30, 2028 with the balance due upon maturity on November 17, 2028. The Company is required to make annual payments on the term loan in an amount equal to 50% of annual excess cash flow greater than \$5,000, as defined in the Credit Agreement. This percentage requirement may decrease or be eliminated if certain leverage ratios are achieved. Based on the Company's results for 2022, no excess cash flow payment was required in 2023. Any such payments offset future mandatory quarterly payments.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

As of July 2, 2023, amounts outstanding under the credit facility accrue interest at a rate equal to either the Secured Overnight Financing Rate ("SOFR") or base rate, at the Company's election, plus a specified margin. In the case of revolving credit loans and letter of credit fees, the specified margin is based on the Company's Total Leverage Ratio, as defined in the Credit Agreement. Commitment fees payable under the revolving credit facility are based on the Company's Total Leverage Ratio. On July 2, 2023, the weighted average interest rate on the Company's borrowings under the credit facility was 9.2%.

The Company has entered into an interest rate collar in the notional amount of \$500,000 to hedge the Company's exposure to fluctuations in interest rates on its variable-rate debt. Refer to Note 9, "*Derivative Instruments*," for additional information.

Obligations under the Credit Agreement are secured by substantially all of the Company's assets. The Credit Agreement includes representations and warranties and affirmative and negative covenants customary for financings of this type, including, but not limited to, limitations on restricted payments, additional borrowings, additional investments, and asset sales.

In February 2023, the Company entered into an amendment to the Credit Agreement which, among other things, increases the consolidated net leverage ratio financial covenant level applicable under the Credit Agreement as of the quarter ending April 2, 2023 through the quarter ending March 31, 2024 (the "Covenant Relief Period"), to initially 7.25:1.00, and provides for modified step-down levels for such covenant thereafter. As an ongoing condition to the Covenant Relief Period, the Company also agreed to (i) a minimum liquidity test, (ii) an interest coverage test, (iii) an anti-cash hoarding test at any time revolving loans are outstanding, and (iv) additional reporting obligations. Under the amended Credit Agreement, the revolving credit facility contains a minimum liquidity financial covenant of \$45,000, which includes unrestricted cash and any available borrowing capacity under the revolving credit facility. In April 2023, the Company entered into a second amendment to the Credit Agreement in which the interest rate on any outstanding borrowings under the Credit Agreement was changed from LIBOR to SOFR. In May 2023, the Company entered into a third amendment to the Credit Agreement in which certain defined terms were clarified. The Company incurred \$1,427 of deferred financing fees related to these amendments. On July 2, 2023, the Company was in compliance with all financial covenants.

Some of the lenders that are parties to the Credit Agreement, and their respective affiliates, have various relationships with the Company in the ordinary course of business involving the provision of financial services, including cash management, commercial banking, investment banking or other services.

Future maturities of long-term debt and amortization of debt issuance costs as of July 2, 2023 are as follows:

	Debt	Debt Issuance Costs
2023 (excluding the twenty-six weeks ended July 2, 2023)	\$ 3,793	\$ 907
2024	7,447	1,942
2025	7,642	2,096
2026	6,571	2,265
2027	6,571	2,450
Thereafter	616,065	2,423
	<u>\$ 648,089</u>	<u>\$ 12,083</u>

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

8. COMMON STOCK WARRANTS AND EARN-OUT LIABILITY

Upon the Closing, there were 14,666,644 Warrants, consisting of 9,999,977 public warrants ("Public Warrants") and 4,666,667 private warrants ("Private Warrants"), outstanding to purchase shares of Common Stock that were issued by Empower prior to the Business Combination. Each warrant entitles the registered holder to purchase one share of Common Stock at a price of \$11.50 per share, subject to adjustments, provided that the Company has an effective registration statement under the Securities Act covering the shares of common stock issuable upon exercise of the Warrants and a current prospectus relating to them is available and such shares are registered, qualified or exempt from registration under the securities laws of the state of residence of the holder. The Warrants may be exercised only for a whole number of shares of Common Stock. The Warrants expire on July 16, 2026, the date that is five years after the Closing date, or earlier upon redemption or liquidation. Additionally, the Private Warrants will be non-redeemable and are exercisable on a cashless basis so long as they are held by Empower Sponsor Holdings, LLC (the "Sponsor") or any of its permitted transferees. If the Private Warrants are held by someone other than the Sponsor or its permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

The Company may redeem the Public Warrants at a price of \$0.01 per warrant upon 30 days' notice if the closing price of Common Stock equals or exceeds \$18.00 per share, subject to adjustments, on the trading day prior to the date on which notice of redemption is given, provided there is an effective registration statement and current prospectus in effect with respect to the ordinary shares underlying such Warrants throughout the 30-day redemption period. If the foregoing conditions are satisfied and the Company issues a notice of redemption of the Warrants, the Warrant holder is entitled to exercise his, her or its Warrant prior to the scheduled redemption date. Any such exercise requires the Warrant holder to pay the exercise price for each Warrant being exercised. Further, the Company may redeem the Public Warrants at a price of \$0.10 per warrant upon 30 days' notice if the closing price of Common Stock equals or exceeds \$10.00 per share, subject to adjustments, on the trading day prior to the date on which notice of redemption is given. Beginning on the date the notice of redemption is given until the Warrants are redeemed or exercised, holders may elect to exercise their Warrants on a cashless basis and receive that number of shares of Common Stock as determined by reference to a table in the warrant agreement.

During any period when the Company has failed to maintain an effective registration statement, warrant holders may exercise Warrants on a cashless basis in accordance with Section 3(a)(9) of the Securities Act or another exemption, and the Company will use its commercially reasonable best efforts to register or qualify the shares under applicable blue-sky laws to the extent an exemption is not available.

The Company's Warrants are accounted for as a liability in accordance with ASC 815-40 and are presented as a warrant liability on the balance sheet. The warrant liability was measured at fair value at inception and on a recurring basis, with changes in fair value recognized as non-operating expense. As of July 2, 2023 and December 31, 2022, a warrant liability with a fair value of \$7,725 and \$4,272, respectively, was reflected as a long-term liability in the condensed consolidated balance sheet. An increase of \$2,017 and a decrease of \$23,168 in the fair value of the warrant liability was reflected as change in fair value of warrant liability in the condensed consolidated statements of comprehensive income for the 13-week periods ended July 2, 2023 and July 3, 2022, respectively. An increase of \$3,452 and a decrease of \$20,941 in the fair value of the warrant liability was reflected as change in fair value of warrant liability in the condensed consolidated statements of comprehensive income for the 26-week periods ended July 2, 2023 and July 3, 2022, respectively. In April 2022, the Company issued 33,333 shares of Common Stock in connection with the exercise of Public Warrants assumed in the Business Combination.

Additionally, the Sponsor received 2,187,500 shares of Common Stock upon the Closing, which vest in two equal tranches upon achievement of certain market share price milestones during the earn-out period, as outlined in the Merger Agreement ("the "Earn-Out Shares"). The first tranche of Earn-Out Shares vested during the first quarter of 2022. Upon vesting, the first tranche of 1,093,750 Earn-Out Shares were issued and a liability of \$14,689, representing the fair value of the shares on the date of vesting, was reclassified from liabilities to equity. The remaining tranche of Earn-Out Shares will be forfeited if the applicable conditions are not satisfied before July 16, 2028 (seven years after the Closing Date). The unvested Earn-Out Shares are presented as an earn-out liability on the balance sheet and are remeasured at fair value with changes in fair value recognized as non-operating expense. As of July 2, 2023 and December 31, 2022, an earn-out liability with a fair value of \$2,565 and \$1,176, respectively, was reflected as a long-term liability in the condensed consolidated balance sheet. An increase of \$961 and a decrease of \$4,234 in the fair value of the earn-out liability was reflected as change in fair value of earn-out liability in the condensed consolidated statements of comprehensive income for the 13-week periods ended July 2, 2023 and July 3, 2022, respectively. An increase of \$1,389 and a decrease of \$1,853 in the fair value of the earn-out liability was reflected as change in fair value of earn-out liability in the condensed consolidated statements of comprehensive income for the 26-week periods ended July 2, 2023 and July 3, 2022, respectively.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

9. DERIVATIVE INSTRUMENTS

The Company from time to time enters into derivative financial instruments, such as interest rate collar agreements ("Collars"), to manage its exposure to fluctuations in interest rates on the Company's variable rate debt. On January 4, 2023, the Company entered into a Collar with Wells Fargo Bank, N.A. ("Wells Fargo") with a notional amount of \$500,000 that expires on February 18, 2026. The Collar has a floor of 2.811% and a cap of 5% (based on three-month SOFR). The structure of this Collar is such that the Company receives an incremental amount if the Collar index exceeds the cap rate. Conversely, the Company pays an incremental amount to Wells Fargo if the Collar index falls below the floor rate. No payments are required if the Collar index falls between the cap and floor rates.

As of July 2, 2023, the Company recognized a derivative asset of \$2,068 for the Collar in other noncurrent assets on the condensed consolidated balance sheet. For the 13-week and 26-week periods ended July 2, 2023, the Company recorded a net change in the fair value of the Collar as a decrease to interest expense of \$5,088 and \$2,068, respectively. No cash payments were made or received during the 13-week and 26-week periods ended July 2, 2023, as the applicable rate was between the cap and floor rates as of the settlement dates.

The fair value of the Collar is determined using observable market-based inputs and the impact of credit risk on the derivative's fair value (the creditworthiness of the Company's counterparty for assets and the creditworthiness of the Company for liabilities) (a Level 2 measurement, as described in Note 10, "Fair Value Measurements").

10. FAIR VALUE MEASUREMENTS

The Company's financial liabilities subject to fair value measurement on a recurring basis and the level of inputs used for such measurements were as follows:

	Fair Value Measured on July 2, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Interest rate collar	\$ —	\$ 2,068	\$ —	\$ 2,068
Liabilities:				
Warrant liability (Public)	\$ 4,994	\$ —	\$ —	\$ 4,994
Warrant liability (Private)	—	—	2,731	2,731
Earn-out liability	—	—	2,565	2,565
Total fair value liabilities	\$ 4,994	\$ —	\$ 5,296	\$ 10,290
Fair Value Measured on December 31, 2022				
	Level 1	Level 2	Level 3	Total
Liabilities:				
Warrant liability (Public)	\$ 2,691	\$ —	\$ —	\$ 2,691
Warrant liability (Private)	—	—	1,581	1,581
Earn-out liability	—	—	1,176	1,176
Total fair value liabilities	\$ 2,691	\$ —	\$ 2,757	\$ 5,448

As of July 2, 2023, the Company's derivative liabilities for its Private and Public Warrants, earn-out liability, and derivative asset for its Collar are measured at fair value on a recurring basis (see Note 8, "Common Stock Warrants and Earn-Out Liability," and Note 9, "Derivative Instruments," for more details). The fair values of the private warrants and earn-out liability are determined based on significant inputs not observable in the market (Level 3). The valuation of the Level 3 liabilities uses assumptions and estimates the Company believes would be made by a market participant in making the same valuation. The Company assesses these assumptions and estimates on an on-going basis as additional data impacting the assumptions and estimates are obtained. The Company uses a Monte Carlo simulation model to estimate the fair value of its Private Warrants and earn-out liability. The fair value of the Collar, which is included in other noncurrent assets on the condensed consolidated balance sheet, is determined based on models that reflect the contractual terms of the derivative, yield curves, and the credit quality of the counterparties. Inputs are generally observable and do not contain a high level of subjectivity (Level 2). The fair value of the Public Warrants is determined using publicly traded prices (Level 1). Changes in the fair value of the derivative liabilities related to Warrants and the earn-out liability are recognized as non-operating expense in the condensed consolidated statements of comprehensive income. Changes in the fair value of the Collar is recognized as an adjustment to interest expense in the condensed consolidated statements of comprehensive income.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

The fair value of Private Warrants was estimated as of the measurement date using the Monte Carlo simulation model with the following assumptions:

	July 2, 2023	December 31, 2022
Valuation date price	\$ 4.09	\$ 2.12
Strike price	\$ 11.50	\$ 11.50
Remaining life (in years)	3.04	3.54
Expected dividend	\$ —	\$ —
Risk-free interest rate	4.36%	4.06%
Price threshold	\$ 18.00	\$ 18.00

The fair value of the earn-out liability was estimated as of the measurement date using the Monte Carlo simulation model with the following assumptions:

	July 2, 2023	December 31, 2022
Valuation date price	\$ 4.09	\$ 2.12
Expected term (in years)	5.04	5.54
Expected volatility	61.26%	70.33%
Risk-free interest rate	4.01%	3.88%
Price hurdle	\$ 15.00	\$ 15.00

As of July 2, 2023 and December 31, 2022, the Company has accounts receivable, accounts payable and accrued expenses for which the carrying value approximates fair value due to the short-term nature of these instruments. The carrying value of the Company's long-term debt approximates fair value as the rates used approximate the market rates currently available to the Company. Fair value measurements used in the impairment reviews of goodwill and intangible assets are Level 3 measurements.

The reconciliation of changes in Level 3 liabilities during the 26-week periods ended July 2, 2023 and July 3, 2022 is as follows:

	Private Warrants	Earn-Out Liability	Total
Balance at December 31, 2021	\$ 21,793	\$ 26,596	\$ 48,389
Liabilities reclassified to equity	—	(14,689)	(14,689)
Gains included in earnings	(7,653)	(1,853)	(9,506)
Balance at July 3, 2022	<u>\$ 14,140</u>	<u>\$ 10,054</u>	<u>\$ 24,194</u>
Balance at December 31, 2022	\$ 1,581	\$ 1,176	\$ 2,757
Losses included in earnings	1,150	1,389	2,539
Balance at July 2, 2023	<u>\$ 2,731</u>	<u>\$ 2,565</u>	<u>\$ 5,296</u>

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

11. REVENUE

The principal activity from which the Company generates its revenue is the manufacturing and distribution of after-market automotive parts for its customers, comprised of resellers and end users. The Company recognizes revenue at a point in time, rather than over time, as the performance obligation is satisfied when customer obtains control of the product upon title transfer and not as the product is manufactured or developed. The amount of revenue recognized is based on the purchase order price and adjusted for revenue allocated to variable consideration (i.e., estimated rebates, co-op advertising, etc.).

The Company collects sales tax and other taxes concurrent with revenue-producing activities which are excluded from revenue. Shipping and handling costs incurred after control of the product is transferred to our customers are treated as fulfillment costs and not a separate performance obligation.

The Company allows customers to return products when certain Company-established criteria are met. These sales returns are recorded as a charge against gross sales in the period in which the related sales are recognized, net of returns to stock. Returned products, which are recorded as inventories, are valued at the lower of cost or net realizable value. The physical condition and marketability of the returned products are the major factors considered in estimating realizable value. The Company also estimates expected sales returns and records the necessary adjustment as a charge against gross sales.

The Company's payment terms with customers are customary and vary by customer and geography but typically range from 30 to 365 days. The Company elected the practical expedient to disregard the possible existence of a significant financing component related to payment on contracts, as the Company expects that customers will pay for the products within one year. The Company has evaluated the terms of our arrangements and determined that they do not contain significant financing components. Additionally, as all contracts with customers have an expected duration of one year or less, the Company has elected the practical expedient to exclude disclosure of information regarding the aggregate amount and future timing of performance obligations that are unsatisfied or partially satisfied as of the end of the reporting period. The Company provides limited warranties on most of its products against certain manufacturing and other defects. Provisions for estimated expenses related to product warranty are made at the time products are sold. Refer to Note 18, "Commitments and Contingencies" for more information.

The following table summarizes total revenue by product category.

	<u>For the thirteen weeks ended</u>		<u>For the twenty-six weeks ended</u>	
	<u>July 2, 2023</u>	<u>July 3, 2022</u>	<u>July 2, 2023</u>	<u>July 3, 2022</u>
Electronic systems	\$ 74,401	\$ 71,060	\$ 143,152	\$ 157,206
Mechanical systems	40,920	44,206	84,238	90,048
Exhaust	17,384	18,037	33,213	37,369
Accessories	26,382	28,353	53,847	57,099
Safety	16,175	17,764	33,017	37,753
Net sales	<u>\$ 175,262</u>	<u>\$ 179,420</u>	<u>\$ 347,467</u>	<u>\$ 379,475</u>

The following table summarizes total revenue based on geographic location from which the product is shipped:

	<u>For the thirteen weeks ended</u>		<u>For the twenty-six weeks ended</u>	
	<u>July 2, 2023</u>	<u>July 3, 2022</u>	<u>July 2, 2023</u>	<u>July 3, 2022</u>
United States	\$ 170,817	\$ 173,514	\$ 337,235	\$ 369,573
Italy	4,445	5,906	10,232	9,902
Net sales	<u>\$ 175,262</u>	<u>\$ 179,420</u>	<u>\$ 347,467</u>	<u>\$ 379,475</u>

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

12. INCOME TAXES

The Company's effective income tax rate is based on expected income, statutory rates and tax planning opportunities available in the various jurisdictions in which it operates. For interim financial reporting, the Company estimates the annual income tax rate based on projected taxable income for the full year and records a quarterly income tax provision or benefit in accordance with the anticipated annual rate. The Company refines the estimates of the year's taxable income as new information becomes available, including actual year-to-date financial results. This continual estimation process often results in a change to the expected effective income tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected income tax rate. Significant judgment is required in determining the effective tax rate and in evaluating tax positions.

	<u>For the thirteen weeks ended</u>		<u>For the twenty-six weeks ended</u>	
	<u>July 2, 2023</u>	<u>July 3, 2022</u>	<u>July 2, 2023</u>	<u>July 3, 2022</u>
Income tax expense	\$ 4,098	\$ 3,023	\$ 5,664	\$ 10,211
Effective tax rates	24.0%	6.9%	24.7%	15.1%

For the 13-week period ended July 2, 2023, the Company's effective tax rate of 24.0% differed from the 21% federal statutory rate primarily due to permanent differences related to changes in fair value of the warrant and earn-out liabilities recognized during the period. For the 13-week period ended July 3, 2022, the Company's effective tax rate of 6.9% differed from the 21% federal statutory rate primarily due to permanent differences related to changes in the fair value of the warrant and earn-out liabilities recognized during the period.

For the 26-week period ended July 2, 2023, the Company's effective tax rate of 24.7% differed from the 21% federal statutory rate primarily due to permanent differences related to changes in fair value of the warrant and earn-out liabilities recognized during the period. For the 26-week period ended July 3, 2022, the Company's effective tax rate of 15.1% differed from the 21% federal statutory rate primarily due a permanent difference related to changes in the fair value of the warrant and earn-out liabilities recognized during the period.

13. EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted earnings per share:

	<u>For the thirteen weeks ended</u>		<u>For the twenty-six weeks ended</u>	
	<u>July 2, 2023</u>	<u>July 3, 2022</u>	<u>July 2, 2023</u>	<u>July 3, 2022</u>
Numerator:				
Net income	\$ 12,979	\$ 40,563	\$ 17,226	\$ 57,421
Less: fair value adjustment for Warrants	—	—	—	(20,941)
Net income (loss) - diluted	\$ 12,979	\$ 40,563	\$ 17,226	\$ 36,480
Denominator:				
Weighted average common shares outstanding - basic	117,221,419	116,931,623	117,187,287	116,398,177
Dilutive effect of potential common shares from RSUs	647,503	182,930	369,370	177,642
Dilutive effect of potential common shares from Warrants	—	—	—	768,156
Weighted average common shares outstanding - diluted	117,868,922	117,114,553	117,556,657	117,343,975
Earnings per share:				
Basic	\$ 0.11	\$ 0.35	\$ 0.15	\$ 0.49
Diluted	\$ 0.11	\$ 0.35	\$ 0.15	\$ 0.31

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

The following outstanding shares of Common Stock equivalents were excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive. Warrants to purchase shares of Common Stock having an exercise price greater than the average share market price are excluded from the calculation of diluted earnings per share.

	For the thirteen weeks ended		For the twenty-six weeks ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Anti-dilutive shares excluded from calculation of diluted EPS:				
Warrants	14,633,311	14,633,311	14,633,311	—
Stock options	922,228	1,960,708	922,228	1,960,708
Restricted stock units	1,224,507	220,051	1,224,507	220,051
Performance stock units	2,469,412	—	2,469,412	—
Unvested Earn-out Shares	1,093,750	1,093,750	1,093,750	1,093,750
Total anti-dilutive shares	20,343,208	17,907,820	20,343,208	3,274,509

14. BENEFIT PLANS

On January 28, 2022, the Company approved the termination of its defined benefit pension plan (the "Plan"), effective March 31, 2022. The final distribution of the Plan's assets pursuant to the termination was made in the fourth quarter of 2022 when the plan termination satisfied all regulatory requirements. Plan participants received their accrued benefits from plan assets by electing either lump sum distributions or annuity contracts with a qualifying third-party annuity provider.

The following table provides the components of net periodic benefit cost for the 13-week and 26-week periods ended July 3, 2022:

	For the thirteen weeks ended		For the twenty-six weeks ended	
	July 3, 2022		July 3, 2022	
Components of expense:				
Service cost	\$	27	\$	54
Interest cost		32		64
Expected return on plan assets		(52)		(104)
Net periodic benefit cost	\$	7	\$	14

The Company's contributions to the Plan were \$150 for the 26-week period ended July 3, 2022.

The Company made matching contributions totaling \$565 and \$1,156 to its 401(k) plan during the 13-week periods ended July 2, 2023 and July 3, 2022, respectively. The Company made matching contributions totaling \$1,140 and \$1,844 to its 401(k) plan during the 26-week periods ended July 2, 2023 and July 3, 2022, respectively.

15. EQUITY-BASED COMPENSATION PLANS

In 2021, the Company adopted the 2021 Omnibus Incentive Plan (the "2021 Plan"), under which awards, including stock options, restricted stock units ("RSUs") and performance stock units ("PSUs") may be granted to employees and non-employee directors. The 2021 Plan authorized 8,850,000 shares of Common Stock to be available for award grants. As of July 2, 2023, 4,422,936 shares of Common Stock remained available for future issuance under the 2021 Plan. On June 6, 2023, the Company granted 1,000,000 RSUs and 1,520,000 PSUs to its new President and Chief Executive Officer. These awards were granted outside of the 2021 Plan as employment inducement awards and did not require shareholder approval under the rules of the New York Stock Exchange or otherwise.

Equity-based compensation expense included the following components:

	For the thirteen weeks ended		For the twenty-six weeks ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Restricted stock units	\$ 1,167	\$ 1,350	\$ 1,815	\$ 2,533
Performance stock units	322	—	374	—
Stock options	317	652	11	1,205
Profit interest units	—	1,481	—	2,907

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

All equity-based compensation expenses are recorded in selling, general and administrative costs in the condensed consolidated statements of comprehensive income.

Restricted Stock Units

The Compensation Committee has awarded RSUs to select employees and non-employee directors. The RSUs vest ratably over one to four years of continued employment. The fair value of a RSU at the grant date is equal to the market price of Common Stock on the grant date. Compensation expense for RSUs is recorded based on amortization of the grant date fair market value over the period the restrictions lapse. As of July 2, 2023, there was \$8,849 of unrecognized compensation cost related to unvested RSUs that is expected to be recognized over a remaining weighted average period of 2.5 years. The weighted average grant date fair value for RSUs was \$2.75 and \$11.46 for the 26-week periods ended July 2, 2023 and July 3, 2022, respectively. The fair value of RSUs vested and converted to shares of Common Stock was \$303 for the 26-week period ended July 2, 2023.

The following table summarizes RSU activity for the 26-week period ended July 2, 2023:

	Unvested Restricted Stock Units	
	Number of RSUs	Weighted Average Grant Date Fair Value
December 31, 2022	1,108,330	\$ 9.43
Granted	2,437,743	2.75
Vested	(126,197)	10.56
Forfeited	(189,640)	12.13
July 2, 2023	<u>3,230,236</u>	<u>\$ 3.42</u>

Performance Stock Units

The Compensation Committee has awarded PSUs to select employees. The PSUs represent shares of Common Stock that are potentially issuable in the future based on a combination of performance and service requirements. On March 8, 2023, the Company granted 949,412 PSUs under the 2021 Plan to key employees with a grant date fair value of \$1.98. The PSUs granted to employees were based on salary and include annual net sales and adjusted EBITDA growth targets with threshold and stretch goals. The awards vest ratably over three years, subject to the employee's continuous employment through the vesting date and the level of performance achieved. The number of PSUs granted reflects the target number able to be earned under a given award. Non-vested PSU compensation expense is based on the most recent performance assumption available and is adjusted as assumptions change. The fair value of a PSU at the grant date is equal to the market price of Common Stock on the grant date. The cost estimates for PSU grants represent initial target awards until the Company can reasonably forecast the financial performance of each PSU award grant. The actual number of shares of Common Stock to be issued at the end of each performance period will range from 0% to 150% of the initial target awards.

On June 6, 2023, the Company granted 1,520,000 PSUs to its new President and Chief Executive Officer as an employment inducement award, which are potentially issuable in the future based on a combination of achievement of certain stock price metrics and service requirements through the expiration date of December 31, 2030. The fair value of this award is determined using a Monte Carlo simulation as of the date of the grant and share-based compensation expense will not be adjusted should the target awards vary from actual awards. The Company's estimates of fair value may be impacted by certain variables including, but not limited to, stock price volatility, the risk-free interest rate, expected dividend yields, and the Company's performance.

As of July 2, 2023, there was \$4,397 of unrecognized compensation cost related to unvested PSUs that is expected to be recognized over a remaining weighted average period of 2.35 years.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

Stock Options

Stock option grants have an exercise price at least equal to the market value of the underlying Common Stock on the date of grant, have ten-year terms, and vest ratably over three years of continued employment. In general, vested options expire if not exercised within 90 days of termination of service. Compensation expense for stock options is recorded based on straight-line amortization of the grant date fair value over the requisite service period. As of July 2, 2023, there was \$1,611 of unrecognized compensation cost related to unvested stock options that is expected to be recognized over a remaining weighted-average period of 1.3 years.

The following table summarizes stock option activity for the 26-week period ended July 2, 2023:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Options outstanding on December 31, 2022	1,709,690	\$ 10.97	
Forfeited	(592,588)	11.11	
Expired	(194,874)	10.50	
Options outstanding on July 2, 2023	922,228	\$ 10.98	8.26
Options exercisable on, July 2, 2023	307,401	\$ 10.98	8.26

Profit Interest Units

The Holley Stockholder authorized an incentive pool of 41,400,000 units of Holley Stockholder that its management had the right to grant to certain employees of the Company. The units, which are designated as Profit Interest Units ("PIUs"), are a special type of limited liability company equity unit that allows the recipient to potentially participate in a future increase in the value of the Company. The PIUs were issued for no consideration and generally provided for vesting over a requisite service period, subject to the recipient remaining an employee of the Company through each vesting date.

In the fourth quarter of 2022, the Holley Stockholder amended the vesting criteria to allow for immediate vesting of all outstanding and unvested PIUs. The changes to these awards were deemed to be modification events under ASC Subtopic 718-10, *Stock Compensation*. Accordingly, during the fourth quarter of 2022, the Company recognized catch-up equity-based compensation expense, including incremental fair value resulting from the modification, as applicable to each award grant. At that time all PIUs were fully vested with no remaining unrecognized compensation cost, and there are no remaining PIUs authorized for issuance.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
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16. LEASE COMMITMENTS

On January 1, 2022, the Company adopted ASC Topic 842, *Leases*, using the modified retrospective optional transition method provided by ASU 2018-11, *Leases (Topic 842)*. The effect of applying this guidance resulted in an increase in noncurrent assets for right-of-use assets of \$33,887 and an increase in liabilities for associated lease obligations of \$34,579, most of which were classified as noncurrent. The adoption of the standard did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

Under the transition option elected by the Company, ASC Topic 842 is applied only to the most current period and reporting for comparative periods presented in the financial statements continues to be in accordance with ASC Topic 840, *Leases*, including disclosures. Upon adoption, the Company elected the following practical expedients related to ASC 842:

- not reassess whether any expired or existing contracts are or contain leases, not reassess the lease classification for any expired or existing leases, and not reassess initial direct costs for any existing leases;
- to account for the lease and non-lease components as a single lease component for all of the Company's leases; and
- to apply accounting similar to ASC Topic 840 to leases that meet the definition of short-term leases.

The Company leases retail stores, manufacturing, distribution, engineering, and research and development facilities, office space, equipment, and automobiles under operating lease agreements. Leases have remaining lease terms of one to 11 years, inclusive of renewal options that the Company is reasonably certain to exercise.

The following table summarizes operating lease assets and obligations, and provides information associated with the measurement of operating lease obligations.

	As of	
	July 2, 2023	December 31, 2022
Assets:		
Operating right of use assets	\$ 28,965	\$ 29,522
Liabilities:		
Current operating lease liabilities - Accrued liabilities	\$ 5,112	\$ 5,112
Long-term operating lease liabilities	24,589	24,992
Total lease liabilities	<u>\$ 29,701</u>	<u>\$ 30,104</u>
Lease term and discount rate		
Weighted average remaining lease term (in years)	7.6	7.9
Weighted average discount rate	5.91%	5.77%

The following summarizes the components of operating lease expense and provides supplemental cash flow information for operating leases:

	For the thirteen weeks ended		For the twenty-six weeks ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Components of lease expense:				
Operating lease expense	\$ 1,707	\$ 1,482	\$ 3,293	\$ 3,901
Short-term lease expense	466	642	978	1,250
Variable lease expense	17	327	169	414
Total lease expense	<u>\$ 2,190</u>	<u>\$ 2,451</u>	<u>\$ 4,440</u>	<u>\$ 5,565</u>
Supplemental cash flow information related to leases:				
Cash paid for amounts included in measurement of operating lease liabilities	\$ 1,720	\$ 1,821	\$ 3,471	\$ 3,581
Right-of-use assets obtained in exchange for new operating lease liabilities	2,354	13,491	2,354	13,769
Decapitalization of right-of-use assets upon lease termination or modification	154	12,178	154	12,178

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The following table summarizes the maturities of the Company's operating lease liabilities as of July 2, 2023:

2023 (excluding the twenty-six weeks ended July 2, 2023)	\$	3,434
2024		5,964
2025		4,433
2026		4,236
2027		4,182
Thereafter		15,035
Total lease payments		37,284
Less imputed interest		(7,583)
Present value of lease liabilities	\$	<u>29,701</u>

17. ACQUISITION, RESTRUCTURING AND MANAGEMENT FEE COSTS

The following table summarizes the Company's total acquisition, restructuring and management fee costs:

	For the thirteen weeks ended		For the twenty-six weeks ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Acquisitions (1)	\$ —	\$ 1,372	\$ —	\$ 1,621
Restructuring (2)	352	319	1,691	360
Total acquisition, restructuring and management fees	<u>\$ 352</u>	<u>\$ 1,691</u>	<u>\$ 1,691</u>	<u>\$ 1,981</u>

(1) Includes professional fees for legal, accounting, consulting, administrative, and other professional services directly attributable to acquisitions.

(2) Includes costs incurred as part of the restructuring of operations including professional and consulting services and executive severance.

18. COMMITMENTS AND CONTINGENCIES

The Company is a party to various lawsuits and claims in the normal course of business. While the lawsuits and claims against the Company cannot be predicted with certainty, management believes that the ultimate resolution of such matters will not have a material effect on the consolidated financial position or liquidity of the Company; however, in light of the inherent uncertainties involved in such lawsuits and claims, some of which may be beyond the Company's control, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

The Company generally warrants its products against certain manufacturing and other defects. These product warranties are provided for specific periods of time depending on the nature of the product. The accrued product warranty costs are based primarily on historical experience of actual warranty claims and are recorded at the time of the sale.

The following table provides the changes in the Company's accrual for product warranties, which is classified as a component of accrued liabilities in the condensed consolidated balance sheets.

	For the thirteen weeks ended		For the twenty-six weeks ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Beginning balance	\$ 3,181	\$ 3,816	\$ 3,584	\$ 3,994
Accrued for current year warranty claims	3,513	446	6,467	3,034
Settlement of warranty claims	(2,818)	(1,937)	(6,175)	(4,703)
Ending balance	<u>\$ 3,876</u>	<u>\$ 2,325</u>	<u>\$ 3,876</u>	<u>\$ 2,325</u>

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Unless the context requires otherwise, references to “Holley,” “we,” “us,” “our” and “the Company” in this section are to the business and operations of Holley Inc. and its subsidiaries unless the context otherwise indicates. The following discussion and analysis should be read in conjunction with Holley’s condensed consolidated financial statements and related notes thereto included in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties, and assumptions that could cause Holley’s actual results to differ materially from management’s expectations. Factors that could cause such differences are discussed herein and under the caption, “Cautionary Note Regarding Forward-Looking Statements.”

Overview

We are a leading designer, marketer, and manufacturer of high performance automotive aftermarket products serving car and truck enthusiasts, with sales, processing, and distribution facilities reaching most major markets in the United States, Canada, Europe and China. We design, market, manufacture and distribute a diversified line of performance automotive products including fuel injection systems, tuners, exhaust products, carburetors, safety equipment and various other performance automotive products. Our products are designed to enhance street, off-road, recreational and competitive vehicle performance and safety.

Innovation is at the core of our business and growth strategy. We have a history of developing innovative products, including new products in existing product families, product line expansions, and accessories, as well as products that bring us into new categories. We have thoughtfully expanded our product portfolio over time to adapt to consumer needs.

In addition, we have historically used strategic acquisitions to (i) expand our brand portfolio, (ii) enter new product categories and consumer segments, (iii) increase direct-to-consumer (“DTC”) scale and connection, (iv) expand share in current product categories and (v) realize value-enhancing revenue and cost synergies. While we believe our business is positioned for continued organic growth, we intend to continue evaluating opportunities for strategic acquisitions that would complement our current business and expand our addressable target market.

Factors Affecting our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below, under the caption, “Cautionary Note Regarding Forward-Looking Statements,” in this Quarterly Report on Form 10-Q, under the caption, “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 15, 2023, and in our subsequent filings with the SEC.

Business Environment

Our business and results of operations, financial condition, and liquidity are impacted by broad economic conditions including inflation, labor shortages, and disruption of the supply chain, as well as by geopolitical events, such as the conflict in Ukraine. Our operations have been adversely impacted by inflationary pressures primarily related to transportation, labor and component costs. Sales growth in certain products has been constrained by continuing supply chain challenges and automotive electronic component shortages. In response to the global supply chain volatility and inflationary impacts, we have attempted to minimize potential adverse impacts on our business with cost savings initiatives, price increases to customers, and by increasing inventory levels of certain products and working closely with our suppliers and customers to minimize disruptions in delivering products to customers. Our profitability has been, and may continue to be, adversely affected by constrained consumer demand, a shift in sales mix to lower-margin products, and demands on our performance that increased our costs. Should the ongoing macroeconomic conditions not improve, or worsen, or if our attempts to mitigate the impact on our supply chain, operations and costs is not successful, our business, results of operations and financial condition may be adversely affected.

Key Components of Results of Operations

Net Sales

The principal activity from which we generate sales is the designing, marketing, manufacturing and distribution of performance after-market automotive parts for our end consumers. Sales are displayed net of rebates and sales returns allowances. Sales returns are recorded as a charge against gross sales in the period in which the related sales are recognized.

Cost of Goods Sold

Cost of goods sold consists primarily of the cost of purchased parts and manufactured products, including materials and direct labor costs. In addition, warranty, incoming shipping and handling and inspection and repair costs are also included within costs of goods sold. Reductions in the cost of inventory to its net realizable value are also a component of cost of goods sold.

Selling, General, and Administrative

Selling, general, and administrative costs consist of payroll and related personnel expenses, IT and office services, office rent expense and professional services. In addition, self-insurance, advertising, research and development, outgoing shipping costs, pre-production and start-up costs are also included within selling, general, and administrative.

Acquisition and Restructuring Costs

Acquisition and restructuring costs consist of professional fees for legal, accounting, consulting, administrative, and other professional services directly attributable to potential acquisitions. In addition, operational restructuring costs and executive severance are included within this classification.

Interest Expense

Interest expense consists of interest due on the indebtedness under our credit facilities. Interest is based on SOFR or the base rate, at the Company's election, plus the applicable margin rate. As of July 2, 2023, \$645.6 million was outstanding under our Credit Agreement.

Results of Operations**13-Week Period Ended July 2, 2023 Compared With 13-Week Period Ended July 3, 2022**

The table below presents Holley's results of operations for the 13-week periods ended July 2, 2023 and July 3, 2022 (dollars in thousands):

	For the thirteen weeks ended			
	July 2, 2023	July 3, 2022	Change (\$)	Change (%)
Net sales	\$ 175,262	\$ 179,420	\$ (4,158)	(2.3%)
Cost of goods sold	105,514	104,132	1,382	1.3%
Gross profit	69,748	75,288	(5,540)	(7.4%)
Selling, general, and administrative	29,101	36,269	(7,168)	(19.8%)
Research and development costs	6,182	8,196	(2,014)	(24.6%)
Amortization of intangible assets	3,674	3,662	12	0.3%
Acquisition and restructuring costs	352	1,691	(1,339)	(79.2%)
Other expense	485	325	160	49.2%
Operating income	29,954	25,145	4,809	19.1%
Change in fair value of warrant liability	2,017	(23,168)	25,185	(108.7%)
Change in fair value of earn-out liability	961	(4,234)	5,195	(122.7%)
Interest expense	9,899	8,961	938	10.5%
Income before income taxes	17,077	43,586	(26,509)	(60.8%)
Income tax expense	4,098	3,023	1,075	35.6%
Net income	12,979	40,563	(27,584)	(68.0%)
Foreign currency translation adjustment	272	501	(229)	(45.7%)
Total comprehensive income	\$ 13,251	\$ 41,064	\$ (27,813)	(67.7%)

Net Sales

Net sales for the 13-week period ended July 2, 2023 decreased \$4.2 million, or 2.3%, to \$175.3 million, as compared to \$179.4 million for the 13-week period ended July 3, 2022. Non-comparable sales associated with acquisitions contributed \$2.6 million, or 1.5% of year-over-year growth. The remaining comparable sales decreased by \$6.8 million, or 3.8%, compared to the prior year quarter, offsetting the impact from the acquisitions. The decline in comparable sales reflects a return to the sales trends experienced prior to the increased demand we experienced during the COVID pandemic. As a result, lower unit volume drove a decrease of approximately \$10.9 million that was partially offset by improved price realization of approximately \$4.1 million compared to the prior year period. Major categories driving the comparable year-over-year results include a decrease in safety products sales of \$4.2 million (23.7% category decline), a decrease in mechanical systems sales of \$3.3 million (7.4% category decline), a decrease in accessories sales of \$2.0 million (7.0% category decline), and an increase in electronic systems sales of \$3.3 million (4.7% category growth).

Cost of Goods Sold

Cost of goods sold for the 13-week period ended July 2, 2023 increased \$1.4 million, or 1.3%, to \$105.5 million, as compared to \$104.1 million for the 13-week period ended July 3, 2022. The increase in cost of goods sold during the 13-week period ended July 2, 2023 in which product sales decreased 2.3% reflects compression in gross profit margin due primarily to inflationary pressures on labor and component costs.

Gross Profit and Gross Margin

Gross profit for the 13-week period ended July 2, 2023 decreased \$5.5 million, or 7.4%, to \$69.8 million, as compared to \$75.3 million for the 13-week period ended July 3, 2022. Gross margin for the 13-week period ended July 2, 2023 of 39.8% decreased as compared to a gross margin of 42.0% for the 13-week period ended July 3, 2022. The decrease in gross profit and gross profit margin was driven primarily by the sell-through of higher cost inventory from prior periods. In general, gross margin and margins on individual products remain under pressure due to various factors, including potential increases in manufacturing costs and the shift of our sales mix towards products with lower gross margins.

Selling, General and Administrative

Selling, general and administrative costs for the 13-week period ended July 2, 2023 decreased \$7.2 million, or 19.8%, to \$29.1 million, as compared to \$36.3 million for the 13-week period ended July 3, 2022. When expressed as a percentage of sales, selling, general and administrative costs decreased to 16.6% of sales for the 13-week period ended July 2, 2023 compared to 20.2% of sales in 2022. The decrease in selling, general and administrative costs was driven by a \$1.7 million decrease in equity compensation costs, a \$1.7 million decrease in personnel costs, and a \$1.2 million decrease in outbound shipping and handling costs, reflecting the implementation of cost-saving initiatives.

Research and Development Costs

Research and development costs for the 13-week period ended July 2, 2023 decreased \$2.0 million, or 24.6%, to \$6.2 million, as compared to \$8.2 million for the 13-week period ended July 3, 2022. The decrease in research and development costs was primarily due to headcount reductions, reflecting the implementation of cost-saving initiatives.

Amortization and Impairment of Intangible Assets

Amortization of intangible assets was stable at \$3.7 million for both the 13-week periods ended July 2, 2023 and July 3, 2022.

Acquisition and Restructuring Costs

Acquisition and restructuring costs for the 13-week period ended July 2, 2023 decreased \$1.3 million to \$0.4 million, as compared to \$1.7 million for the 13-week period ended July 3, 2022. This decrease primarily reflects a reduction in restructuring activities associated with acquisitions.

Operating Income

As a result of factors described above, operating income for the 13-week period ended July 2, 2023 increased \$4.8 million, or 19.1%, to \$30.0 million, as compared to \$25.2 million for the 13-week period ended July 3, 2022.

Change in Fair Value of Warrant Liability

For the 13-week period ended July 2, 2023, we recognized a loss of \$2.0 million from the change in fair value of the warrant liability. For the 13-week period ended July 3, 2022, we recognized a gain of \$23.2 million from the change in fair value of the warrant liability. The warrant liability reflects the fair value of the Warrants issued in connection with the Business Combination.

Change in Fair Value of Earn-Out Liability

For the 13-week period ended July 2, 2023, we recognized a loss of \$1.0 million from the change in fair value of the earn-out liability. For the 13-week period ended July 3, 2022, we recognized a gain of \$4.2 million, from the change in fair value of the earn-out liability. The earn-out liability reflects the fair value of the unvested Earn-out Shares resulting from the Business Combination.

Interest Expense

Interest expense for the 13-week period ended July 2, 2023 increased \$0.9 million, or 10.5%, to \$9.9 million, as compared to \$9.0 million for the 13-week period ended July 3, 2022, reflecting a higher effective interest rate net of a \$5.1 million fair value adjustment of the interest rate collar.

Income before Income Taxes

As a result of factors described above, we recognized \$17.1 million of income before income taxes for the 13-week period ended July 2, 2023, as compared to income before income taxes of \$43.6 million for the 13-week period ended July 3, 2022.

Income Tax Expense

Income tax expense for the 13-week period ended July 2, 2023 was \$4.1 million, as compared to income tax expense of \$3.0 million for the 13-week period ended July 3, 2022. Our effective tax rate for the 13-week period ended July 2, 2023 was 24.0%. The difference between the effective tax rate for the 13-week period ended July 2, 2023 and the federal statutory rate in 2023 was primarily due to permanent differences resulting from the change in fair value of the warrant and earn-out liabilities. Our effective tax rate for the 13-week period ended July 3, 2022 was 6.9%. The difference between the effective tax rate and the federal statutory rate in 2022 was primarily due to permanent differences resulting from the change in fair value of the warrant and earn-out liabilities.

Net Income and Total Comprehensive Income

As a result of factors described above, we recognized net income of \$13.0 million for the 13-week period ended July 2, 2023, as compared to net income of \$40.6 million for the 13-week period ended July 3, 2022. Additionally, we recognized total comprehensive income of \$13.3 million for the 13-week period ended July 2, 2023, as compared to total comprehensive income of \$41.1 million for the 13-week period ended July 3, 2022. Comprehensive income includes the effect of foreign currency translation adjustments.

26-Week Period Ended July 2, 2023 Compared With 26-Week Period Ended July 3, 2022

The table below presents Holley's results of operations for the 26-week periods ended July 2, 2023 and July 3, 2022 (dollars in thousands):

	For the twenty-six weeks ended			
	July 2, 2023	July 3, 2022	Change (\$)	Change (%)
Net sales	\$ 347,467	\$ 379,475	\$ (32,008)	(8.4%)
Cost of goods sold	210,006	221,466	(11,460)	(5.2%)
Gross profit	137,461	158,009	(20,548)	(13.0%)
Selling, general, and administrative	59,118	70,611	(11,493)	(16.3%)
Research and development costs	12,835	16,357	(3,522)	(21.5%)
Amortization of intangible assets	7,353	7,323	30	0.4%
Acquisition and restructuring costs	1,691	1,981	(290)	(14.6%)
Other expense	536	547	(11)	(2.0%)
Operating income	55,928	61,190	(5,262)	(8.6%)
Change in fair value of warrant liability	3,452	(20,941)	24,393	(116.5%)
Change in fair value of earn-out liability	1,389	(1,853)	3,242	(175.0%)
Interest expense	28,197	16,352	11,845	72.4%
Income before income taxes	22,890	67,632	(44,742)	(66.2%)
Income tax expense	5,664	10,211	(4,547)	(44.5%)
Net income	17,226	57,421	(40,195)	(70.0%)
Foreign currency translation adjustment	73	742	(669)	(90.2%)
Total comprehensive income	\$ 17,299	\$ 58,163	\$ (40,864)	(70.3%)

Net Sales

Net sales for the 26-week period ended July 2, 2023 decreased \$32.0 million, or 8.4%, to \$347.5 million, as compared to \$379.5 million for the 26-week period ended July 3, 2022. Non-comparable sales associated with acquisitions contributed \$4.4 million, or 1.2% of total year-over-year growth. The remaining comparable sales for the year-to-date period decreased by \$36.4 million, or 9.6%, offsetting the impact from the acquisitions. The decline in comparable sales was driven by supply chain constraints in electronic components and a return to the sales trends experienced prior to the increased demand experienced during the COVID pandemic. As a result, lower unit volume drove a decrease of approximately \$47.5 million that was partially offset by improved price realization of approximately \$11.2 million compared to the prior year period. Comparable year-over-year results by category include a decrease in electronic systems sales of \$14.1 million (8.9% category decline), a decrease in safety products sales of \$9.1 million (24.1% category decline), a decrease in mechanical systems sales of \$5.8 million (6.5% category decline), a decrease in exhaust system sales of \$4.2 million (11.1% category decline), and a decrease in accessories sales of \$3.2 million (5.7% category decline).

Cost of Goods Sold

Cost of goods sold for the 26-week period ended July 2, 2023 decreased \$11.5 million, or 5.2%, to \$210.0 million, as compared to \$221.5 million for the 26-week period ended July 3, 2022. The decrease in cost of goods sold during the 26-week period ended July 2, 2023 reflects the decrease in product sales during such period combined with compression in gross profit margin due primarily to inflationary pressures on labor and component costs.

Gross Profit and Gross Margin

Gross profit for the 26-week period ended July 2, 2023 decreased \$20.6 million, or 13.0%, to \$137.5 million, as compared to \$158.0 million for the 26-week period ended July 3, 2022. Gross margin for the 26-week period ended July 2, 2023 of 39.6% decreased as compared to a gross margin of 41.6% for the 26-week period ended July 3, 2022. The decrease in gross profit and gross profit margin was driven primarily by the sell-through of higher cost inventory from prior periods. In general, gross margin and margins on individual products remain under pressure due to various factors, including potential increases in manufacturing costs and the shift of our sales mix towards products with lower gross margins.

Selling, General and Administrative

Selling, general and administrative costs for the 26-week period ended July 2, 2023 decreased \$11.5 million, or 16.3%, to \$59.1 million, as compared to \$70.6 million for the 26-week period ended July 3, 2022. When expressed as a percentage of sales, selling, general and administrative costs decreased to 17.0% of sales for the 26-week period ended July 2, 2023 compared to 18.6% of sales in 2022. The decrease in selling, general and administrative costs was driven by a \$4.4 million decrease in equity compensation costs and a \$3.9 million decrease in personnel costs, reflecting the implementation of cost-saving initiatives.

Research and Development Costs

Research and development costs for the 26-week period ended July 2, 2023 decreased \$3.5 million, or 21.5%, to \$12.8 million, as compared to \$16.4 million for the 26-week period ended July 3, 2022. The decrease in research and development costs was primarily due to headcount reductions, reflecting the implementation of cost-saving initiatives.

Amortization and Impairment of Intangible Assets

Amortization of intangible assets was \$7.4 million for the 26-week period ended July 2, 2023 compared to \$7.3 million for the 26-week period ended July 3, 2022.

Acquisition and Restructuring Costs

Acquisition and restructuring costs for the 26-week period ended July 2, 2023 decreased \$0.3 million to \$1.7 million, as compared to \$2.0 million for the 26-week period ended July 3, 2022. This decrease primarily reflects a reduction in restructuring activities associated with acquisitions.

Operating Income

As a result of factors described above, operating income for the 26-week period ended July 2, 2023 decreased \$5.3 million, or 8.6%, to \$55.9 million, as compared to \$61.2 million for the 26-week period ended July 3, 2022.

Change in Fair Value of Warrant Liability

For the 26-week period ended July 2, 2023 we recognized a loss of \$3.5 million from the change in fair value of the warrant liability. For the 26-week period ended July 3, 2022 we recognized a gain of \$20.9 million from the change in fair value of the warrant liability. The warrant liability reflects the fair value of the Warrants issued in connection with the Business Combination.

Change in Fair Value of Earn-Out Liability

For the 26-week period ended July 2, 2023 we recognized a loss of \$1.4 million from the change in fair value of the earn-out liability. For the 26-week period ended July 3, 2022 we recognized a gain of \$1.9 million from the change in fair value of earn-out liability. The earn-out liability reflects the fair value of the unvested Earn-out Shares resulting from the Business Combination.

Interest Expense

Interest expense for the 26-week period ended July 2, 2023 increased \$11.9 million, or 72.4%, to \$28.2 million, as compared to \$16.4 million for the 26-week period ended July 3, 2022, reflecting a higher effective interest rate.

Income before Income Taxes

As a result of factors described above, we recognized \$22.9 million of income before income taxes for the 26-week period ended July 2, 2023, as compared to income before income taxes of \$67.6 million for the 26-week period ended July 3, 2022.

Income Tax Expense

Income tax expense for the 26-week period ended July 2, 2023 was \$5.7 million, as compared to income tax expense of \$10.2 million for the 26-week period ended July 3, 2022. Our effective tax rate for the 26-week period ended July 2, 2023 was 24.7%. The difference between the effective tax rate for the 26-week period ended July 2, 2023 and the federal statutory rate in 2023 was primarily due to permanent differences resulting from the change in fair value of the warrant and earn-out liabilities. Our effective tax rate for the 26-week period ended July 3, 2022 was 15.1%. The difference between the effective tax rate and the federal statutory rate in 2022 was primarily due to permanent differences resulting from the change in fair value of the warrant and earn-out liabilities.

Net Income and Total Comprehensive Income

As a result of factors described above, we recognized net income of \$17.2 million for the 26-week period ended July 2, 2023, as compared to net income of \$57.4 million for the 26-week period ended July 3, 2022. Additionally, we recognized total comprehensive income of \$17.3 million for the 26-week period ended July 2, 2023, as compared to total comprehensive income of \$58.2 million for the 26-week period ended July 3, 2022. Comprehensive income includes the effect of foreign currency translation adjustments.

Non-GAAP Financial Measures

We present EBITDA and Adjusted EBITDA as supplemental measures of our operating performance, and believe that such non-GAAP financial measures provide useful information to investors, because they exclude the impact of certain items that we do not consider indicative of our ongoing operating performance and are useful in comparing the Company's results of operations between periods. We believe that the presentation of EBITDA and Adjusted EBITDA enhances the usefulness of our financial information by presenting measures that management uses internally to establish forecasts, budgets and operational goals to manage and monitor our business. We believe that these non-GAAP financial measures help to depict a more realistic representation of the performance of our underlying business, enabling us to evaluate and plan more effectively for the future.

We define EBITDA as earnings before depreciation, amortization of intangible assets, interest expense, and income tax expense. We define Adjusted EBITDA as EBITDA adjusted to exclude, to the extent applicable, acquisition and restructuring costs, which includes transaction fees and expenses, termination related benefits, facilities relocation, and executive transition costs; changes in the fair value of the warrant liability; changes in the fair value of the earn-out liability; equity-based compensation expense; impairment of intangible assets; gain or loss on the early extinguishment of debt; non-cash charges due to a product rationalization initiative aimed at eliminating unprofitable or slow-moving stock keeping units, for which a partial reversal of the initial reserve was recognized during the thirteen weeks ended July 2, 2023; notable items, which for the twenty-six weeks ended July 3, 2022 includes a non-cash adjustment related to the adoption of ASC 842, "Leases," and may also include certain fees and settlements; and other expenses or gains, which includes gains or losses from disposal of fixed assets and foreign currency transactions.

EBITDA and Adjusted EBITDA are not prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and may be different from non-GAAP financial measures used by other companies. These measures should not be considered as measures of financial performance under GAAP, and the items excluded from or included in these metrics are significant components in understanding and assessing Holley's financial performance. These metrics should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP.

The following unaudited table presents the reconciliation of net income, the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA for the 13-week and 26-week periods ended July 2, 2023 and July 3, 2022 (dollars in thousands):

	For the thirteen weeks ended		For the twenty-six weeks ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Net income	\$ 12,979	\$ 40,563	\$ 17,226	\$ 57,421
Adjustments:				
Depreciation	2,468	2,523	4,953	4,663
Amortization of intangible assets	3,674	3,662	7,353	7,323
Interest expense	9,899	8,961	28,197	16,352
Income tax expense	4,098	3,023	5,664	10,211
EBITDA	33,118	58,732	63,393	95,970
Acquisition and restructuring costs	352	1,691	1,691	1,981
Change in fair value of warrant liability	2,017	(23,168)	3,452	(20,941)
Change in fair value of earn-out liability	961	(4,234)	1,389	(1,853)
Equity-based compensation expense	1,806	3,483	2,200	6,645
Product rationalization	(800)	—	(800)	—
Notable items	(16)	378	8	884
Other expense	485	325	536	547
Adjusted EBITDA	\$ 37,923	\$ 37,207	\$ 71,869	\$ 83,233

Liquidity and Capital Resources

Our primary cash needs are to support working capital, capital expenditures, acquisitions, and debt repayments. We have generally financed our historical needs with operating cash flows, capital contributions and borrowings under our credit facilities. These sources of liquidity may be impacted by various factors, including demand for our products, investments made in acquired businesses, plant and equipment and other capital expenditures, and expenditures on general infrastructure and information technology.

As of July 2, 2023, the Company had cash of \$42.7 million and availability of \$123.3 million under its revolving credit facility. The Company has a senior secured revolving credit facility with \$125 million in borrowing capacity. As of July 2, 2023, the Company had \$1.7 million of letters of credit outstanding under the revolving credit facility. In February 2023, the Company entered into an amendment to its Credit Agreement which, among other things, contains a minimum liquidity financial covenant of \$45 million, which includes unrestricted cash and any available borrowing capacity under the revolving credit facility. The amendment also increases the consolidated net leverage ratio financial covenant level applicable under the Credit Agreement as of the fiscal quarter ending April 2, 2023 through the fiscal quarter ending March 31, 2024, to initially 7.25:1.00, and provides for modified step-down levels for such covenant thereafter.

The Company is obligated under various operating leases for facilities, equipment and automobiles with estimated lease payments of approximately \$3.8 million, including short term leases, due during the remainder of fiscal year 2023. See Note 16, "Lease Commitments" in the Notes to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for additional information related to the Company's lease obligations.

Holley's capital expenditures are primarily related to ongoing maintenance and improvements, including investments related to upgrading and maintaining our information technology systems, tooling for new products, vehicles for product development, and machinery and equipment for operations. We expect capital expenditures in the range of \$5 million to \$10 million in fiscal year 2023.

See Note 7, "Debt" in the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further detail of our credit facility and the timing of principal maturities. As of July 2, 2023, based on the then current weighted average interest rate of 9.2%, expected interest payments associated with outstanding debt totaled approximately \$29.6 million for the remainder of fiscal year 2023.

As discussed under "Business Environment" above, although the future impact of supply chain disruptions and inflationary pressures are highly uncertain, we believe that cash generated through our current operating performance, and our operating plans, cash position, and borrowings available under our revolving credit facility, will be sufficient to satisfy our liquidity needs and capital expenditure requirements for the next 12 months and thereafter for the foreseeable future.

Cash Flows

The following table provides a summary of cash flows from operating, investing, and financing activities for the periods presented (dollars in thousands):

26-week period ended April 2, 2023 Compared With 26-week period ended April 3, 2022

	For the twenty-six weeks ended	
	July 2, 2023	July 3, 2022
Cash flows provided by operating activities	\$ 34,383	\$ 20,831
Cash flows used in investing activities	(2,382)	(23,442)
Cash flows used in financing activities	(15,572)	(2,716)
Effect of foreign currency rate fluctuations on cash	161	(443)
Net (decrease) increase in cash and cash equivalents	\$ 16,590	\$ (5,770)

Operating Activities. Net cash provided by operating activities for the 26-week period ended July 2, 2023 was \$34.4 million compared to net cash provided by operating activities of \$20.8 million for the 26-week period ended July 3, 2022. Net income decreased \$40.2 million to \$17.2 million for the 26-week period ended July 2, 2023 from \$57.4 million for the 26-week period ended July 3, 2022. Significant changes in the year-over-year change in working capital activity included positive fluctuations from inventories of \$41.2 million and accounts payable of \$4.4 million. Partially offsetting these increases was a negative fluctuation in accounts receivable of \$4.4 million. The change in inventory reflects the impact of inventory management initiatives and fluctuations in sales while changes in accounts receivable and accounts payable are impacted by the timing of payments.

Investing Activities. Cash used in investing activities for the 26-week period ended July 2, 2023 was \$2.4 million which primarily reflects capital expenditures. Cash used in investing activities for the 26-week period ended July 3, 2022 was \$23.4 million which included \$9.6 million due to capital expenditures and \$14.1 million due to acquisitions.

Financing Activities. Cash used in financing activities for the 26-week period ended July 2, 2023 was \$15.6 million, which primarily reflects principal payments on long-term debt and deferred financing fees. Cash used in financing activities for the 26-week period ended July 3, 2022 was \$2.7 million due to principal payments on long-term debt.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, sales, expenses and related disclosures. We evaluate our estimates, judgements and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. For a discussion of our critical accounting estimates, refer to the section entitled "Critical Accounting Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 15, 2023. For further information see also Note 1, "Description of the Business, Basis of Presentation, and Summary of Significant Accounting Policies" in the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. There have been no material changes to the Company's critical accounting estimates included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Recent Accounting Pronouncements

For a discussion of Holley's new or recently adopted accounting pronouncements, see Note 1, "Description of the Business, Basis of Presentation, and Summary of Significant Accounting Policies," in the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk. Holley is exposed to market risk in the normal course of business due to the Company's ongoing investing and financing activities. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. Holley has established policies and procedures governing the Company's management of market risks and the use of financial instruments to manage exposure to such risks. When appropriate, the Company uses derivative financial instruments to mitigate the risk from its interest rate exposure. The Company's interest rate collar is intended to mitigate some of the effects of increases in interest rates. As of July 2, 2023, a total of \$645.6 million of term loan and revolver borrowings were subject to variable interest rates, with a weighted average borrowing rate of 9.2%. A hypothetical 100 basis point increase in interest rates would result in an approximately \$1.5 million increase in annual interest expense, while a hypothetical 100 basis point decrease in interest rates would result in an approximately \$6.5 million decrease to Holley's annual interest expense.

Credit and other Risks. Holley is exposed to credit risk associated with cash and cash equivalents and trade receivables. As of July 2, 2023, the majority of the Company's cash and cash equivalents consisted of cash balances in non-interest bearing checking accounts which exceed the insurance coverage provided on such deposits. The Company does not believe that its cash equivalents present significant credit risks because the counterparties to the instruments consist of major financial institutions. Substantially all trade receivable balances of the business are unsecured. The credit risk with respect to trade receivables is concentrated by the number of significant customers that the Company has in its customer base and a prolonged economic downturn could increase exposure to credit risk on the Company's trade receivables. To manage exposure to such risks, Holley performs ongoing credit evaluations of the Company's customers and maintains an allowance for potential credit losses.

Exchange Rate Sensitivity. As of July 2, 2023, the Company is exposed to changes in foreign currency exchange rates. While historically this exposure to changes in foreign currency exchange rates has not had a material effect on the Company's financial condition or results of operations, foreign currency fluctuations could have a material adverse effect on business and results of operations in the future. Historically, Holley's primary exposure has been related to transactions denominated in the Euro and Canadian dollars. The majority of the Company's sales, both domestically and internationally, are denominated in U.S. Dollars. Historically, the majority of the Company's expenses have also been in U.S. Dollars and we have been somewhat insulated from currency fluctuations. However, Holley may be exposed to greater exchange rate sensitivity in the future. Currently, the Company does not hedge foreign currency exposure; however, the Company may consider strategies to mitigate foreign currency exposure in the future if deemed necessary.

Item 4. Controls and Procedures.

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of July 2, 2023 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

We are not currently a party to any material legal proceedings. From time to time, we are subject to litigation incidental to our business, as well as other litigation of a non-material nature in the ordinary course of business.

Item 1A. Risk Factors

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially affect our operations. Factors that could materially affect our actual results, levels of activity, performance or achievements include, but are not limited to, those under the caption "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 15, 2023. Such risks, uncertainties and other factors may cause our actual results, performance, and achievements to be materially different from those expressed or implied by our forward-looking statements. If any of these risks or events occur, our business, financial condition or results of operations may be adversely affected.

There have been no material changes in the Company's risk factors from those disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 15, 2023, except for the addition of the following risk factor:

Recent events affecting the financial services industry could have an adverse impact on the Company's business operations, financial condition, and results of operations.

The closures of certain regional banks have created bank-specific and broader financial institution liquidity risk and concerns. Future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages, impair the ability of companies to access working capital needs, and create additional market and economic uncertainty.

Although we do not have any funds in any of the banks that have been placed into receivership to date, we cannot guarantee that the banks or other financial institutions that hold our funds will not experience similar issues. These events have resulted in market disruption and volatility and could lead to greater instability in the credit and financial markets and a deterioration in confidence in economic conditions. Our operations may be adversely affected by any such economic downturn, liquidity shortages, volatile business environments, or unpredictable market conditions. These events could also make any necessary debt or equity financing more difficult and/or costly.

The future effect of these events on the financial services industry and broader economy are unknown and difficult to predict but could include failures of other financial institutions to which we or our customers, vendors, or other counterparties face direct or more significant exposure. Any such developments could adversely impact our results of operation and financial position. There may be other risks we have not yet identified. We are working to identify any potential impact of these events on our business in order to minimize any disruptions to our operations. However, we cannot guarantee we will be able to avoid any negative consequences relating to these recent developments or any future related developments.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Trading Plans

During the fiscal quarter ended July 2, 2023, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated as of March 11, 2021, by and among Empower Ltd., Empower Merger Sub I Inc., Empower Merger Sub II LLC and Holley Intermediate Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 12, 2021).
3.1	Certificate of Incorporation of the Company, dated July 16, 2021 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
3.2	Bylaws of the Company, dated July 16, 2021 (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
10.1	Amendment No. 2 to Credit Agreement, dated as of April 20, 2023, by and among Holley Inc. and certain of its subsidiaries, as the Borrower, Wells Fargo Bank National Association, as Administrative Agent, and other lender parties thereto.
10.2	#Employment Agreement, dated May 13, 2023, by and between Holley Inc. and Matthew Stevenson.
10.3	#Inducement Award Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 99.1 of the Company's Registration Statement on Form S-8 (File No. 333-272436) filed with the SEC on June 6, 2023).
10.4	#Inducement Award Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 99.2 of the Company's Registration Statement on Form S-8 (File No. 333-272436) filed with the SEC on June 6, 2023).
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document and include in Exhibit 101)

Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Holley Inc.

/s/ Jesse Weaver

Jesse Weaver

Chief Financial Officer (Duly Authorized Officer)

August 10, 2023

EXECUTION VERSION

AMENDMENT NO. 3, dated as of May 26, 2023 (this "Amendment No. 3"), to the Credit Agreement dated as of November 18, 2021 (as amended, supplemented, amended and restated or otherwise modified from time to time prior to the date hereof, the "Credit Agreement") among HOLLEY INC., a Delaware corporation (the "Borrower"), WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (in such capacity, the "Administrative Agent"), the L/C Issuers and Swing Line Lender party thereto and the Lenders from time to time party thereto (collectively, the "Lenders" and each, individually, a "Lender").

RECITALS

WHEREAS, Section 10.01 of the Credit Agreement permits the Borrower and the Required Revolving Credit Lenders to amend or modify (i) any condition precedent set forth in Section 4.02 of the Credit Agreement as it pertains to any Revolving Credit Loan and/or (ii) Section 7.11 to the Credit Agreement (and any defined term used in Section 7.11 of the Credit Agreement, but solely as it relates to use in such Section); and

WHEREAS, the Borrower has requested that, subject to the terms and conditions of this Amendment, the Administrative Agent and Lenders constituting the Required Revolving Credit Lenders agree to amend the Credit Agreement as set forth herein;

WHEREAS, the Borrower, the other Loan Parties, the Administrative Agent and the Lenders constituting the Required Revolving Credit Lenders under the Credit Agreement on the Amendment No. 3 Effective Date (as defined below) are willing to agree to amend the Credit Agreement as more fully set forth herein, subject to the terms and conditions specified herein; and

WHEREAS, Wells Fargo Securities will act as the sole lead arranger and sole bookrunner (in such capacity, the "Amendment No. 3 Arranger") for this Amendment No. 3.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE I.

Amendment.

SECTION 1.01. Defined Terms. Capitalized terms used herein (including in the recitals hereto) and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The rules of construction specified in Section 1.02 of the Credit Agreement also apply to this Amendment.

SECTION 1.02. Amendment of Credit Agreement. Effective as of the Amendment No. 3 Effective Date, the Credit Agreement is hereby amended as follows:

(a) The following defined terms are added in alphabetical order to Section 1.01 of the Credit Agreement:

"Amendment No. 3" means that certain Amendment No. 3 to this Agreement, dated as of the Amendment No. 3 Effective Date, by and among the Loan Parties, the Administrative Agent, and the Lenders party thereto.

“Amendment No. 3 Arranger” means Wells Fargo Securities, LLC, in its capacity as sole lead arranger and sole bookrunner in respect of Amendment No. 3.

“Amendment No. 3 Effective Date” has the meaning set forth in Amendment No. 3. For the avoidance of doubt, the Amendment No. 3 Effective Date is May 25, 2023.

“Phase I Environmental Site Assessment” means an environmental property assessment pursuant to ASTM E1527-21 (or then current) standards.

“Phase II Environmental Site Assessment” means a subsurface investigation of soil, soil gas and/or groundwater to identify the presence of Hazardous Materials.

(b) Section 1.01 of the Credit Agreement is hereby amended to:

(i) With respect to the definition of “Anti-Cash Hoarding Test Date”, (x) replace the reference to “calendar month” with “fiscal month”, (y) replace the reference to “February 28, 2023” with “May 28, 2023” and (z) replace each reference to “Amendment No. 1 Effective Date” with “Amendment No. 3 Effective Date”;

(ii) Add a new clause (iv) to the definition of “Lead Arranger” as follows: “(iv) in respect of Amendment No. 3, the Amendment No. 3 Arranger”;

(iii) With respect to the definition of “Liquidity”, after the reference to “Unrestricted Cash”, add “as of the last day of the most recently ended fiscal month for which an Anti-Cash Hoarding Certificate has been or is required to be delivered pursuant to Section 7.11(f)(vi)”

(iv) With respect to the definition of “Liquidity Test Date”, (x) replace the reference to “calendar month” with “fiscal month”, (y) replace the reference to “February 28, 2023” with “May 28, 2023” and (z) replace each reference to “Amendment No. 1 Effective Date” with “Amendment No. 3 Effective Date”;

(v) With respect to the definition of “Liquidity Test Period”, (x) in clause (i), replace each reference to “calendar month” with “fiscal month” and (y) amend and restate clause (ii) thereof in its entirety as follows: “with respect to any Liquidity Test Date pursuant to clauses (ii) or (iii) of the definition thereof, the twelve consecutive fiscal month period ending immediately prior to such Liquidity Test Date for which financial statements have been or are required to be delivered pursuant to Section 7.11(f)(i)”;

(vi) With respect to the definition of “Total Leverage Ratio”, after each reference to “Test Period” add “or Liquidity Test Period, as applicable”;

(c) Section 4.02(e) is hereby amended to replace the reference to “Amendment No. 1 Effective Date” with “Amendment No. 3 Effective Date”;

(d) Section 7.11(e) is hereby amended to add a new clause (xi) as follows: “make any change in any fiscal month; provided, however, that the Borrower may, upon written notice to the Administrative Agent, change one or more fiscal months to such other fiscal month(s) reasonably acceptable to the Administrative Agent, in which case, the Borrower and the Administrative Agent will, and are hereby authorized by the Revolving Lenders to, make any adjustments to this Agreement that are necessary to reflect such change in fiscal month(s)”;

(e) Section 7.11(f)(i) is hereby amended to (i) replace each reference to “calendar month” with “fiscal month” and (ii) replace the reference to “February 28, 2023” with “May 28, 2023”;

(f) Section 7.11(f)(v) is hereby amended to replace the reference to “5 Business Days after each Liquidity Test Date” with “20 days (in the case of a Liquidity Test Date pursuant to clause (i) of the definition thereof) or 5 Business Days (in the case of a Liquidity Test Date pursuant to clauses (ii) or (iii) of the definition thereof), in each case, after each Liquidity Test Date”; and

(g) Section 7.11(g) is hereby amended to make the existing language clause (i) and add a new clause (ii) as follows: “Promptly (and, in any event within 60 days, or such longer time as may be approved by the Administrative Agent in its sole and reasonable discretion) upon request by the Administrative Agent (so long as, at such time (i) any Revolving Credit Loans are outstanding and (ii) the Total Leverage Ratio for the most recently ended Test Period is equal to or greater than the Total Leverage Ratio that is 0.75:1.00 below the maximum Total Leverage Ratio set forth in Section 7.11(a) for such Test Period), deliver to the Administrative Agent a Phase II Environmental Site Assessment (and, if necessary, an updated Phase I Environmental Site Assessment) with respect to the Headquarters and Manufacturing Property in form and substance reasonably satisfactory to the Administrative Agent.”

SECTION 1.03. Amendment Effectiveness. Section 1.02 of this Amendment No. 3 shall become effective as of the date hereof (the “Amendment No. 3 Effective Date”) when, and only when, each of the following conditions have been satisfied (or waived by the Administrative Agent and the Required Revolving Credit Lenders):

(a) The Administrative Agent shall have received duly executed counterparts of this Amendment No. 3 from (i) the Borrower, (ii) the other Loan Parties, (iii) Lenders constituting the Required Revolving Credit Lenders under the Credit Agreement on the Amendment No. 3 Effective Date and (iv) the Administrative Agent.

(b) The representations and warranties of the Borrower and each other Loan Party contained in Section 2.01 hereof shall be true and correct in all material respects on and as of the Amendment No. 3 Effective Date; provided that, in each case, to the extent that any 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.

(c) After giving effect to this Amendment No. 3 and the transactions contemplated hereby on the Amendment No. 3 Effective Date, no Default or Event of Default shall have occurred and be continuing.

(d) The Administrative Agent shall have received a certificate signed by a Responsible Officer of the Borrower certifying that the conditions set forth in clauses (b) and (c) of this Section 1.03 are satisfied.

(e) The Amendment No. 3 Arranger shall have received, in immediately available funds, payment or reimbursement of all reasonable costs, fees, out-of-pocket expenses, compensation and other amounts then due and payable in connection with this Amendment, including, to the extent invoiced at least three (3) Business Days prior to the Amendment No. 3 Effective Date, the reasonable fees, charges and disbursements of counsel for the Administrative Agent and the Amendment No. 3 Arranger.

For purposes of determining whether the Amendment No. 3 Effective Date has occurred, each Lender that has executed this Amendment No. 3 shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to the Administrative Agent or such Lender, as the case may be, unless such Lender has notified the Administrative Agent of any disagreement prior to the Amendment No. 3 Effective Date.

ARTICLE II.

Miscellaneous

SECTION 2.01. Representations and Warranties. The Borrower and each other Loan Party hereby represent and warrant to the Administrative Agent, the Amendment No. 3 Arranger and each Lender party hereto that:

(a) Each Loan Party (x) is a Person 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, and (y) has all requisite power and authority to execute, deliver and perform its obligations under Amendment No. 3; except in each case referred to in clause (x) (other than with respect to the Borrower), to the extent that failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) The execution, delivery and performance by each Loan Party of this Amendment No. 3, (w) have been duly authorized by all necessary corporate or other organizational action and (x) do not and will not (i) contravene the terms of any of such Person's Organization Documents or (ii) conflict with or result in any breach or contravention of, or require any payment to be made under (A) 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 (B) any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject, (y) result in the creation of any Lien or (z) violate any material Law; except (in the case of clause (x)(ii)), to the extent that such conflict, breach, contravention, payment or violation could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) 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 (x) the execution, delivery or performance by, or enforcement against, any Loan Party of this Amendment No. 3, or (y) the exercise by the Administrative Agent or any Lender party hereto of its rights under this Amendment No. 3, except for (i) 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 and (ii) those approvals, consents, exemptions, authorizations or other actions, notices or filings, the failure of which to obtain or make could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) This Amendment No. 3 has been duly executed and delivered by each Loan Party that is party hereto. This Amendment No. 3 constitutes a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity.

(e) On the Amendment No. 3 Effective Date, the Borrower and its Subsidiaries, on a consolidated basis, are Solvent.

(f) The representations and warranties of the Borrower and each other Loan Party contained in Article V of the Credit Agreement or any other Loan Document shall be true and correct in all material respects on and as of the Amendment No. 3 Effective 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.

(g) After giving effect to this Amendment No. 3 and the transactions contemplated hereby on the relevant date, no Default or Event of Default has occurred and is continuing on the Amendment No. 3 Effective Date.

SECTION 2.02. Effect of Amendment. Except as expressly set forth herein, this Amendment No. 3 shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of, the Lenders or the Agents under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. The parties hereto acknowledge and agree that the amendment of the Credit Agreement pursuant to this Amendment No. 3 and all other Loan Documents amended and/or executed and delivered in connection herewith shall not constitute a novation of the Credit Agreement and the other Loan Documents as in effect prior to the Amendment No. 3 Effective Date. Nothing herein shall be deemed to establish a precedent for purposes of interpreting the provisions of the Credit Agreement or entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment No. 3 shall apply to and be effective only with respect to the provisions of the Credit Agreement and the other Loan Documents specifically referred to herein.

(b) On and after the Amendment No. 3 Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import, and each reference to the Credit Agreement, “thereunder”, “thereof”, “therein” or words of like import in any other Loan Document, shall be deemed a reference to the Credit Agreement, as amended hereby. This Amendment No. 3 shall constitute an amendment entered into pursuant to Section 10.01 of the Credit Agreement and a “Loan Document” for all purposes of the Credit Agreement and the other Loan Documents.

SECTION 2.03. Reaffirmation.

(a) After giving effect to this Amendment No. 3, (i) the Borrower reaffirms the covenants, pledges, grants of Liens and agreements or other commitments contained in each Loan Document to which it is a party, including, in each case, such covenants, pledges, grants of Liens and agreements or other commitments as in effect immediately after giving effect to this Amendment No. 3, (ii) each Guarantor reaffirms its guarantee of the Obligations and (iii) each of the Borrower and each Guarantor reaffirms each Lien granted by it to the Collateral Agent for the benefit of the Secured Parties under each of the Loan Documents to which it is a party which Liens shall continue in full force and effect during the term of the Credit Agreement as amended by this Amendment No. 3, and shall continue to secure the Obligations, in each case, on and subject to the terms and conditions set forth in the Credit Agreement, as amended by this Amendment No. 3, and the other Loan Documents.

(b) Each of the Borrower and each Guarantor hereby acknowledges and agrees that neither the modification of the Credit Agreement effected pursuant to this Amendment No. 3 nor the execution, delivery, performance or effectiveness of this Amendment No. 3 impairs the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document and such Liens continue unimpaired with the same priority to secure repayment of all Obligations, whether heretofore or hereafter incurred.

(c) Each of the Borrower and each Guarantor hereby acknowledges and agrees that (A) each Loan Document to which it is a party shall continue to be in full force and effect and (B) all guarantees, pledges, grants of Liens, covenants, agreements and other commitments by such Loan Party under the Loan Documents shall continue to be in full force and effect and shall accrue to the benefit of the Secured Parties and shall not be affected, impaired or discharged hereby or by the transactions contemplated in this Amendment No. 3.

SECTION 2.04. [Reserved].

SECTION 2.05. **Governing Law; Jurisdiction; Service of Process; Waiver of Right to Trial by Jury. This Amendment No. 3 shall be governed by, and construed in accordance with, the law of the State of New York.** The provisions of Sections 10.14 and 10.15 of the Credit Agreement shall apply to this Amendment No. 3 to the same extent as if fully set forth herein.

SECTION 2.06. Counterparts. This Amendment No. 3 may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery by telecopier or other electronic transmission of an executed counterpart of a signature page to this Amendment No. 3 shall be effective as delivery of an original executed counterpart of this Amendment No. 3. The words "execution," "execute," "signed," "signature," and words of like import in or related to this Amendment No. 3, any document to be signed in connection with this Amendment No. 3 and the transactions contemplated hereby shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, 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; provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

SECTION 2.07. Costs and Expenses. The Borrower acknowledges Section 10.04 of the Credit Agreement applies to this Amendment No. 3 and the transactions, agreements and documents contemplate hereunder and the Borrower hereby agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Amendment No. 3 Lead Arrangers and the Lenders party hereto in connection with the preparation, execution and delivery of this Amendment No. 3 in accordance therewith.

SECTION 2.08. Releases. EACH LOAN PARTY, ON ITS OWN BEHALF AND ON BEHALF OF ITS DIRECT AND INDIRECT SUBSIDIARIES AND THEIR SUCCESSORS AND ASSIGNS (COLLECTIVELY, THE "RELEASING PARTY"), HEREBY ACKNOWLEDGES AND STIPULATES THAT AS OF THE DATE HEREOF, THE RELEASING PARTY DOES NOT HAVE ANY CLAIMS, CAUSES OF ACTION, DEMANDS OR LIABILITIES OF ANY KIND WHATSOEVER, WHETHER DIRECT OR INDIRECT, FIXED OR CONTINGENT, LIQUIDATED OR UNLIQUIDATED, DISPUTED OR UNDISPUTED, KNOWN OR UNKNOWN, AGAINST, OR ANY GROUNDS OR CAUSE FOR REDUCTION, RECHARACTERIZATION, MODIFICATION,

AVOIDANCE, SET ASIDE OR SUBORDINATION OF THE INDEBTEDNESS, IN EACH CASE WHICH ARISE OUT OF OR ARE RELATED TO THE CREDIT AGREEMENT OR THIS AMENDMENT NO. 3 (EACH, A “RELEASED CLAIM”) AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR AGAINST ANY OF THE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ATTORNEYS, ADVISORS, OR REPRESENTATIVES OF ANY OF THE FOREGOING (EACH OF THE FOREGOING, COLLECTIVELY, THE “RELEASED PARTIES”). IN PARTIAL CONSIDERATION FOR THE AGREEMENT OF THE ADMINISTRATIVE AGENT AND THE LENDERS PARTY HERETO TO ENTER INTO THIS AGREEMENT, THE RELEASING PARTY HEREBY UNCONDITIONALLY WAIVES AND FULLY AND FOREVER RELEASES, REMISES, DISCHARGES AND HOLDS HARMLESS THE RELEASED PARTIES FROM ANY AND ALL RELEASED CLAIMS, WHICH THE RELEASING PARTY HAS OR MAY ACQUIRE IN THE FUTURE RELATING IN ANY WAY TO ANY EVENT, CIRCUMSTANCE, ACTION OR FAILURE TO ACT AT ANY TIME ON OR PRIOR TO THE DATE HEREOF, SUCH WAIVER, RELEASE AND DISCHARGE, AND AFTER HAVING CONSULTED LEGAL COUNSEL OF ITS OWN CHOOSING WITH RESPECT THERETO. THIS PARAGRAPH IS IN ADDITION TO ANY OTHER RELEASE OF ANY OF THE RELEASED PARTIES BY THE RELEASING PARTY AND SHALL NOT IN ANY WAY LIMIT ANY OTHER RELEASE, COVENANT NOT TO SUE OR WAIVER BY THE RELEASING PARTY IN FAVOR OF THE RELEASED PARTIES.

SECTION 2.09. Headings. The headings of this Amendment No. 3 are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be duly executed and delivered by their officers as of the date first above written.

HOLLEY INC.,
as the Borrower

By:

/s/ Jesse L. Weaver

Name: Jesse L. Weaver

Title: Chief Financial Officer

HOLLEY INTERMEDIATE HOLDINGS LLC,
HOLLEY PURCHASER, INC.,
HOLLEY HIGH PERFORMANCE HOLDINGS, INC.,
HIGH PERFORMANCE INDUSTRIES, INC.,
HOLLEY PERFORMANCE PRODUCTS INC.,
DRAKE AUTOMOTIVE GROUP, LLC,
SPEEDSHOP.COM INC.,
HOT ROD BRANDS INC.,
SIMPSON SAFETY SOLUTIONS, INC.,
MSD LLC,
POWERTEQ LLC,
HAMPTON ACCEL CORP.,
ACCEL PERFORMANCE GROUP LLC,
B&M RACING & PERFORMANCE PRODUCTS INC.,
128 COMBUSTION INC.,
SIMPSON PERFORMANCE PRODUCTS, INC.,
TEAM SIMPSON PARTNERS, INC. and
SIMPSON PARTNERS, INC.,
each as a Guarantor

By:

/s/ Jesse L. Weaver

Name: Jesse L. Weaver

Title: Chief Financial Officer

[Signature Page to Holley Amendment No. 3]

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and a Revolving Credit Lender

By: /s/Mish Warriar
Name: Mish Warriar
Title: Director

[Signature Page to Holley Amendment No. 3]

Cadence Bank, as a Revolving Credit Lender

By: /s/Brian Young_____

Name: Brian Young

Title: Executive Vice President

[Signature Page to Holley Amendment No. 3]

PNC Bank, National Association, as a Revolving Credit Lender

By: /s/Shelly Stephenson
Name: Shelly Stephenson
Title: Senior Vice President

[Signature Page to Holley Amendment No. 3]

TRUIST BANK, as a Revolving Credit Lender

By: /s/Steve Curran
Name: Steve Curran
Title: Director

[Signature Page to Holley Amendment No. 3]

BANK OF AMERICA, N.A., as a Revolving Credit Lender

By: /s/Patrice Futrell
Name: Patrice Futrell
Title: Vice President

[Signature Page to Holley Amendment No. 3]

U.S. Bank National Association, as a Revolving Credit Lender

By: /s/Jake Ernst
Name: Jake Ernst
Title: Officer

[Signature Page to Holley Amendment No. 3]

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement") dated as of May 13th, 2023, between Holley Inc., a Delaware Corporation (the "Company"), and Matthew Stevenson ("Executive").

WITNESSETH

WHEREAS, the Company desires to employ Executive and to enter into this Agreement embodying the terms of such employment, and Executive desires to enter into this Agreement and to accept such employment, subject to the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Executive hereby agree as follows:

1. POSITION AND DUTIES.

(a) During the Employment Term (as defined in Section 2 hereof), Executive shall serve as the Chief Executive Officer of the Company. In this capacity, Executive shall have the duties, authorities and responsibilities of Chief Executive Officer as shall be determined by the Board of Directors of the Company (the "Board"), from time to time.

(b) During the Employment Term, Executive shall devote all of Executive's business time, energy, business judgment, knowledge and skill and Executive's best efforts to the performance of Executive's duties with the Company. Notwithstanding the foregoing, Executive may serve on boards of directors or similar bodies of for-profit and non-profit organizations, including those that are industry-related, in each case so long as (i) such activities do not unreasonably interfere with the Executive's performance of Executive's responsibilities and duties or create an actual or potential conflict of interest with the Company, and (ii) so long as Executive complies with the Company's Corporate Governance Guidelines, which require that directors must obtain approval from the Chairman of the Board and the chairperson of the Nominating and Governance Committee in advance of accepting an invitation to serve on the board of another for-profit organization, with the understanding that such approval shall not be unreasonably withheld.

(c) Executive's principal place of employment shall be in Bowling Green, Kentucky, or such other headquarters office as the Company may designate from time to time. Executive will have the opportunity to work remotely as permitted by Executive's duties. Further Executive understands and agrees that Executive will be required to spend sufficient time at the Company's offices and elsewhere to effectively perform Executive's duties and responsibilities, and that Executive may be required to travel from time to time for business reasons.

(d) Executive will relocate to the Bowling Green, Kentucky area (inclusive of the Nashville metropolitan area) as soon as practicable but no later than twelve (12) months after the Effective Date as defined in Section 2. The Company agrees to reimburse Executive the reasonable Relocation Expenses up to a cap in the aggregate amount of \$150,000, which will be grossed up for taxes. "Relocation Expenses" means the following costs, in a reasonable amount, incurred by Executive in connection with the relocation to the Bowling Green area: packaging and

transportation of household goods and personal belongings; expenses associated with one house-hunting trip (inclusive of airfare, hotel, rental vehicle, and meals); customary closing costs associated with the sale of an existing residence and/or purchase of a new residence; and the cost of temporary housing of up to \$2,000 per month for a period not to exceed 12 months from the Effective Date. Such Relocation Expenses will be paid to Executive within a reasonable time of Executive's request for reimbursement accompanied by receipts or other evidence of payment and any other documentation as may be required by the Company's policies. If Executive fails to report for employment or if following employment is terminated for the commission of acts of dishonesty or immorality affecting Executive's employment, Executive agrees to reimburse the Company for 100% of such expenses which have been paid to Executive, or for which the Company is responsible, if such termination of employment occurs within twelve months following commencement of employment, and at a rate of 50% thereof if such termination of employment occurs within twenty-four months following commencement of employment but following the initial twelve months following commencement of employment. Reimbursement of the Relocation Expenses shall be subject to all applicable payroll tax withholdings. The Company shall also pay Executive such amounts as are necessary to compensate Executive for any additional out-of-pocket federal, state, and local income taxes incurred by Executive with respect to any compensation attributed to Executive for the reimbursements provided under this Section 1(d).

2. EMPLOYMENT TERM. The term of Executive's employment under this Agreement shall commence on a date mutually agreed upon by the Company and Executive, but no later than July 17, 2023 (the "Effective Date"), and shall continue for a term of one (1) year thereafter (the "Initial Term"); provided, however, that the term of this Agreement shall automatically be renewed for successive terms of one (1) year each (each a "Renewal Term"), unless either party elects to terminate this Agreement by providing written notice of non-renewal to the other party at least ninety (90) days prior to the expiration date of the then current term. The "Employment Term" shall mean the Initial Term plus any Renewal Terms as provided above or such shorter period if terminated in accordance with Section 6 hereof, subject to Section 7 hereof.

3. COMPENSATION.

(a) **BASE SALARY.** During the Employment Term, the Company agrees to pay Executive a base salary at an annual rate of \$700,000, payable in accordance with the regular payroll practices of the Company. Executive's base salary shall be subject to annual review by the Board (or a committee thereof), and may be increased from time to time by the Board. The base salary as determined herein and adjusted from time to time shall constitute "Base Salary" for purposes of this Agreement.

(b) **ANNUAL BONUS.** During the Employment Term, Executive shall be eligible to participate in any bonus plan for senior executives of the Company as may be established by the Board or any committee thereof after consultation with the Executive from time to time (the "Annual Bonus"), with a target bonus opportunity of 100% of Base Salary (the "Target Bonus") upon the attainment of one or more pre-established performance goals established by the Board or any committee thereof in its sole discretion, and a potential maximum bonus opportunity of 200% of Base Salary upon achievement of outperformance opportunities. To receive any Annual Bonus, the Executive must have been continuously employed by the Company or any of its subsidiaries through the date the applicable Annual Bonus becomes payable, in accordance with applicable

plan terms or as determined by the Board, and be in “active working status” at the time of bonus payment, except as provided in Section 7(b) and (c)). The Annual Bonus will become payable following completion and review by the Board of the Company’s audited consolidated financial statements for the applicable fiscal year, which completion and review shall not be unreasonably delayed. For purposes of this Agreement, “active working status” shall mean that Executive has not resigned (or given notice of his intention to resign) and has not been terminated (or been given notice of termination) for any reason, with or without “Cause,” as defined in Section 6.

(c) **SPECIAL EQUITY GRANTS.**

(i) Executive will receive a special one-time equity grant comprised of 1,000,000 Restricted Stock Units (**RSUs**) vesting over a four year period with 25% of the RSUs vesting on the one year anniversary of the grant, 25% of the RSUs vesting on the two year anniversary of the grant, 25% of the RSUs vesting on the three year anniversary of the grant, and 25% of the RSUs vesting on the four year anniversary of the grant (each such anniversary, an “Anniversary Vesting Date”), and provided, in each case, Executive remains continuously employed with the Company through each applicable vesting date, except as provided in Section 7(b) or (c) herein. The RSUs will be made pursuant and subject to the terms and conditions of a grant agreement prepared by the Company, and granted as an “employment inducement award” under New York Stock Exchange (“**NYSE**”) Rule 303A.08, and consequently are intended to be exempt from the NYSE rules regarding stockholder approval of stock option plans or other equity compensation arrangements. The grant agreement and the terms and conditions of the RSUs shall be interpreted in accordance and consistent with such exemption. Notwithstanding the foregoing, the RSUs will be governed as if issued under the Company’s 2021 Omnibus Incentive Plan (as may be amended, restated or otherwise modified from time to time, the “2021 Plan”). Notwithstanding the foregoing, in the event Executive’s employment is terminated by the Company without Cause as defined in Section 6(d) or Executive resigns for Good Reason as defined in Section 6(f), in each case within the ninety (90) day period immediately preceding the relevant Anniversary Vesting Date in the year such Executive’s employment terminates, or in the event the Company elects to terminate this Agreement by providing written notice of non-renewal in accordance with Section 2 of this Agreement, the tranche of RSUs eligible to vest during such year shall immediately vest and become non-forfeitable as of the date the Executive’s employment ceases.

(ii) Executive will receive a special one-time equity grant comprised of 1,520,000 Performance-based Stock Units (**PSUs**) vesting as target stock price thresholds are achieved (with the threshold achieved if the stock trades at or above the target level for 20 consecutive trading days), with the following target stock price thresholds: (A) \$5.00 stock price threshold for 300,000 PSUs; (B) \$7.50 stock price threshold for 300,000 PSUs; (C) \$10.00 stock price threshold for 300,000 PSUs; (D) \$12.50 stock price threshold for 300,000 PSUs; and (E) \$15.00 for 320,000 PSUs, provided, in each case, Executive remains continuously employed with the Company through the achievement of each applicable vesting threshold, except as provided in Section 7(c) herein. The eligibility to vest in such PSUs will in any event expire on the seven-year anniversary of the grant. The PSUs will be made pursuant and subject to the terms and conditions of a grant agreement prepared by the Company, and granted as an “employment inducement award” under

NYSE Rule 303A.08, and consequently are intended to be exempt from the NYSE rules regarding stockholder approval of stock option plans or other equity compensation arrangements. The grant agreement and the terms and conditions of the PSUs shall be interpreted in accordance and consistent with such exemption. Notwithstanding the foregoing, the PSUs will be governed as if issued under the Company's 2021 Plan.

(d) **ANNUAL EQUITY AWARD.** Commencing in 2026 on the first date annual incentive equity awards are granted to similarly situated executives and subject to the terms of the 2021 Plan and the approval of the Compensation Committee of the Board, Executive will also be eligible to receive annual grants of equity-based incentive compensation in the amount of three- times Executive's then-base salary; *provided, however*, any grant for 2026 will be prorated based on a fraction the numerator of which is the number of days from the third anniversary of the Effective Date to December 31, 2026 and the denominator of which is 365.

4. SIGNING BONUS. Executive shall receive a signing bonus in the amount of \$700,000 (the "Signing Bonus"), less applicable withholdings and deductions, to be paid on the first regularly scheduled payroll date after Executive begins performing work for the Company, which is at least seven (7) days following the Effective Date, *provided, however*, that if the Executive's employment with the Company is terminated: (i) by the Company for Cause pursuant to Section 6(c) at any time prior to the eighteenth month anniversary of the Effective Date; (ii) by Executive without Good Reason pursuant to Section 6(e) at any time prior to the eighteenth month anniversary of the Effective Date; or (iii) as a result of Executive's exercise of the right under Section 2 not to renew during the Initial Term, Executive will repay the Signing Bonus to the Company as soon as practicable following the termination of employment and in no event more than sixty (60) days following the termination of employment.

5. EMPLOYEE BENEFITS.

(a) **BENEFIT PLANS.** During the Employment Term, Executive shall be eligible to participate in any employee benefit plan that the Company has adopted or may adopt, maintain or contribute to for the benefit of its senior executive employees generally, subject to the terms and conditions of such employee benefit plans, including satisfying the applicable eligibility requirements, except to the extent that such plans are duplicative of the benefits otherwise provided for hereunder. Executive's participation will be subject to the terms of the applicable plan documents and generally applicable Company policies, as may be in effect from time to time. Notwithstanding the foregoing, the Company may modify or terminate any employee benefit plan at any time.

(b) **BUSINESS EXPENSES.** Upon presentation of reasonable substantiation and documentation as the Company may specify from time to time, Executive shall be reimbursed in accordance with the Company's expense reimbursement policy, for all reasonable out-of-pocket business expenses incurred and paid by Executive during the Employment Term and in connection with the performance of Executive's duties hereunder, in accordance with the Company's policies with regard thereto.

(c) **VACATIONS.** During the Employment Term, Executive shall be entitled to take vacation time with pay in accordance with the Company's vacation policy, with a minimum of

four weeks, as established and modified by the Board from time to time. The Executive shall use his best efforts to schedule vacation time in a manner that does not unduly interfere with the business of the Company.

6. TERMINATION. Executive's employment and the Employment Term shall terminate on the first of the following to occur:

(a) **DISABILITY.** Upon ten (10) days' prior written notice by the Company to Executive of termination due to Disability. For purposes of this Agreement, "Disability" shall mean that Executive is unable, with or without reasonable accommodation, to perform the duties and responsibilities contemplated under this Agreement for ninety (90) or more consecutive days or one hundred eighty (180) days within any period of 365 days due to physical or mental incapacity or impairment, as determined by an independent qualified physician mutually acceptable to the Company and Executive (or his personal representative) or, if the Company and Executive are unable to agree on an independent qualified physician, as determined by a panel of three physicians, one designated by the Company, one designated by Executive (or his personal representative) and one designated by the two physicians so designated. Nothing in this Agreement shall alter the Company's obligations under applicable law related to employees with disabilities.

(b) **DEATH.** Automatically upon the date of death of Executive.

(c) **CAUSE.** Immediately (or, if applicable, upon the expiration of the cure period provided below) upon written notice by the Company to Executive of a termination for Cause in accordance with this subsection (c). For purposes of this Agreement, "Cause" shall mean (i) Executive's commission of, indictment or conviction for, or pleading no contest to: (A) a felony, (B) any crime involving moral turpitude, (C) any crime that is injurious to the financial condition, reputation, or goodwill of the Company or any of its Affiliates (including, without limitation, fraud or embezzlement), (ii) Executive's misappropriation of any of the Company's or its Affiliate's property or funds, (iii) Executive's engaging in any illegal conduct in the performance of Executive's duties and responsibilities for the Company (except minor motor vehicle infractions), (iv) conduct by Executive that brings or could reasonably be expected to bring the Company or any Affiliate of the Company into public disgrace or disrepute or otherwise injures the integrity, character or reputation, goodwill, or financial condition of the Company or any of its Affiliates, (v) gross negligence or willful misconduct by Executive with respect to the Company or any Affiliate of the Company, (vi) Executive's gross or habitual neglect or non-performance of the material duties assigned to Executive or failure to carry out or comply with any lawful directives (including, without limitation, Executive's failure to cooperate with the Company, or any of its Affiliates, or any governmental body's investigation, inquiry, hearing, or similar proceeding and/or Executive's failure to promptly notify the Board of, or material misstatements or omissions to the Board regarding, material developments regarding the Company, its Affiliates, customers, suppliers, employees or otherwise), (vii) Executive's breach of the provisions of Section 9 of this Agreement or any other applicable restrictive covenants with the Company or any of its Affiliates, (viii) Executive's material violation or breach of any of the Company's written policies or procedures, including without limitation, any policies applicable to Executive's employment, business ethics policies, or code of conduct policies, (ix) any other material breach by Executive of this Agreement or any other agreement with the Company or any of its Affiliates,

(x) Executive's failure to work on a full-time basis in fulfilling Executive's employment duties hereunder, except for periods in which Executive is absent for scheduled paid time off, sickness, injury, or other authorized leaves of absence, or (xi) reporting to work under the influence of alcohol or illegal drugs, or using drugs (illegal or prescribed) or alcohol, whether or not at the workplace, in such a fashion as to cause the Company or any of its Affiliates economic or reputational harm or to affect Executive's ability to perform Executive's assigned duties and responsibilities; (xii) Executive's attempt to willfully obtain any personal profit from any transaction which is adverse to the interests of the Company or any of its Affiliates, or any intentional act or intentional omission aiding or abetting a competitor, supplier or customer of the Company or any of its Affiliates to the material disadvantage or detriment of the Company and its Affiliates; or (xiii) Executive's making a material misstatement or misrepresentation in any employment application, resume, or similar document submitted by Executive in connection with his employment by the Company; *provided, however*, that "Cause" will exist under subparts (iv) through (x) only if the action giving rise to the Cause, to the extent such action is curable, remains uncured fifteen (15) calendar days after notice from the Company specifying in reasonable detail the nature of the Cause. The existence of "Cause" hereunder shall be determined by the Board in its good faith discretion. "Affiliate," as used in this section, shall have the meaning set forth in Section 7(d)(i) herein.

(d) **WITHOUT CAUSE.** Immediately upon written notice by the Company to Executive or, if provided in the written notice, such later date as provided in the written notice, of an involuntary termination without Cause (other than for Death or Disability).

(e) **BY EXECUTIVE WITHOUT GOOD REASON.** Upon sixty (60) days' prior written notice by Executive to the Company of Executive's voluntary termination of employment without Good Reason as defined below (which the Company may, in its sole discretion, make effective earlier than any notice date).

(f) **BY EXECUTIVE FOR GOOD REASON.** Executive may terminate Executive's employment for Good Reason by giving the Company written notice of termination for Good Reason specifying in such notice the basis for the Good Reason termination and the condition(s) or action(s) for which Executive believes constitute Good Reason. For purposes of this Agreement, "Good Reason" means the occurrence of any of the following events without Executive's consent: (i) the Board demotes Executive, materially limits Executive's duties, or assigns Executive to perform duties that are materially inconsistent with Executive's position as Chief Executive Officer, (ii) the Company materially reduces Executive's Base Salary or bonus opportunity, (iii) the Executive no longer reports directly to the Board; *provided, however*, in each instance, the Company will have thirty(30) days from its receipt of Executive's written notice of the Good Reason termination in which to take corrective action to cure the Good Reason event, and if the Company does not cure the Good Reason event, the Good Reason termination will be effective at the end of the thirtieth (30th) day after the Company receives the written notice of Good Reason termination; and *provided further, however*, for Executive to exercise the right to terminate for Good Reason, Executive must provide written notice of termination for Good Reason within ninety (90) days after the occurrence of the event giving rise to the basis for the Good Reason termination.

7. CONSEQUENCES OF TERMINATION.

(a) **TERMINATION FOR CAUSE, NON-RENEWAL OF EMPLOYMENT TERM BY EXECUTIVE, OR RESIGNATION BY EXECUTIVE WITHOUT GOOD**

REASON. If Executive's employment is terminated at any time (1) by the Company for Cause, (2) as a result of non-renewal of the Employment Term by the Executive, or (3) by Executive without Good Reason, then the Company shall pay to Executive the following (with the amounts due under this Section 7(a) to be paid within sixty (60) days following termination of employment, or such earlier date as may be required by applicable law):

- (i) any unpaid Base Salary through the date of termination;
- (ii) reimbursement for any unreimbursed business expenses incurred through the date of termination;
- (iii) any accrued but unused vacation time as may be payable in accordance with Company policy; and

(iv) all other payments, benefits or fringe benefits to which Executive shall be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant, in each case in accordance with their terms (collectively, Sections 7(a)(i) through 7(a)(iv) hereof shall be hereafter referred to as the "Accrued Benefits").

(b) **TERMINATION OF EXECUTIVE'S EMPLOYMENT BY THE COMPANY WITHOUT CAUSE, DUE TO EXECUTIVE'S DEATH OR EXECUTIVE'S DISABILITY, NON-RENEWAL OF EMPLOYMENT TERM BY THE COMPANY, OR BY EXECUTIVE FOR GOOD REASON OUTSIDE OF THE CHANGE IN CONTROL PERIOD.**

If, outside the Change in Control Period (as defined below), Executive's employment is terminated (1) by the Company other than for Cause (including due to Executive's Death or Disability), (2) as a result of non-renewal of the Employment Term by the Company, or (3) by the Executive with Good Reason, then the Company shall pay or provide Executive, or Executive's estate, as applicable, with the following, subject to the provisions of Section 21 hereof (with the amounts due under Section 7(b)(i) hereof to be paid within sixty (60) days following termination of employment, or such earlier date as may be required by applicable law):

- (i) the Accrued Benefits;

(ii) subject to and conditioned on Executive's satisfaction and compliance with the conditions and obligations in Sections 8, 9 and 10 hereof, severance compensation as follows: (A) salary continuation payments at Executive's monthly Base Salary rate as in effect on the date of termination for a period of twelve (12) months following Executive's termination of employment in accordance with the Company's regular payroll processes in effect on the date of such termination of employment, and (B) the Annual Bonus, if any, Executive would have been entitled to receive for the year in which termination occurs (on a pro-rated basis for any partial year) had Executive's employment not terminated, based on actual financial results for such year and on an assumed target-level achievement by Executive of any personal performance objectives, paid on the same date as the payment

of annual bonuses to other senior executives of the Company following completion and review by the Board of the Company's audited consolidated financial statements for the applicable fiscal year, which completion and review shall not be unreasonably delayed; provided that to the extent that the payment of any amount constitutes "nonqualified deferred compensation" for purposes of Code Section 409A (as defined in Section 21 hereof) or as otherwise required to avoid any additional taxes or penalties under Code Section 409A, any such payment scheduled to occur during the first sixty (60) days following the termination of employment shall not be paid until the first regularly scheduled pay period following the sixtieth (60th) day following such termination and shall include payment of any amount that was otherwise scheduled to be paid prior thereto;

(iii) subject to the timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") for Executive and his eligible dependents, and Executive's continued copayment of premiums associated with such coverage, a reimbursement, on a monthly basis, for the costs of continued health benefits for himself and his covered dependents from the end of the Employment Term through the date that is twelve (12) months following the end of the Employment Term or such earlier date on which COBRA coverage for Executive and his covered dependents terminates in accordance with COBRA; provided that Executive is eligible and remains eligible for COBRA coverage. Reimbursements under this Section 7(b)(iii) shall be made on a monthly basis, with the reimbursement for any month being paid in the immediately following month. The Company may modify its obligation under this Section 7(b)(iii) to the extent necessary to avoid any penalty or excise taxes imposed on the Company or its Affiliates (or the insurer) under the Patient Protection and Affordable Care Act; and

(iv) the vesting of RSUs eligible to vest in the year of termination, to the extent provided in Section 3(c)(i) herein.

(c) TERMINATION OF EXECUTIVE'S EMPLOYMENT BY THE COMPANY WITHOUT CAUSE, BY EXECUTIVE FOR GOOD REASON, OR BY NON-RENEWAL OF THE EMPLOYMENT TERM BY THE COMPANY DURING THE CHANGE IN CONTROL PERIOD. If, during the Change in Control Period, Executive's employment is terminated (1) by the Company other than for Cause (other than due to Executive's Death or Disability), (2) by the Executive with Good Reason, or (3) by the Company by non-renewal of the Employment Term, then the Company shall, in lieu of the benefits set forth in Section 7(b), pay or provide Executive with the following, subject to the provisions of Section 21 hereof (with the amounts due under Section 7(c)(ii) hereof to be paid within sixty (60) days following termination of employment, or such earlier date as may be required by applicable law):

(i) the Accrued Benefits;

(ii) subject to and conditioned on Executive's satisfaction and compliance with the conditions and obligations in Sections 8, 9 and 10 hereof, severance compensation as follows: (A) salary continuation payments at Executive's monthly Base Salary rate as in effect on the date of termination for a period of twenty-four (24) months following Executive's termination of employment in accordance with the Company's regular payroll

processes in effect on the date of such termination of employment, and (B) an amount equal to Executive's Target Bonus Executive would have been entitled to receive for the year in which termination occurs had Executive's employment not terminated, paid in one lump sum on the sixtieth (60th) day following the date the Executive's employment ceases; and

(iii) subject to the timely election of continuation coverage under COBRA for Executive and his eligible dependents, and Executive's continued copayment of premiums associated with such coverage, a reimbursement, on a monthly basis, for the costs of continued health benefits for himself and his covered dependents from the end of the Employment Term through the date that is twelve (12) months following the end of the Employment Term or such earlier date on which COBRA coverage for Executive and his covered dependents terminates in accordance with COBRA; provided that Executive is eligible and remains eligible for COBRA coverage. Reimbursements under this Section 7(c)(iii) shall be made on a monthly basis, with the reimbursement for any month being paid in the immediately following month. The Company may modify its obligation under this Section 7(c)(iii) to the extent necessary to avoid any penalty or excise taxes imposed on the Company or its Affiliates (or the insurer) under the Patient Protection and Affordable Care Act; and

(iv) all then outstanding unvested RSUs shall immediately vest as to one hundred percent (100%) of the then unvested RSUs and all then outstanding unvested PSUs are eligible to vest to the extent that the applicable target stock price threshold is attained as of the date of the consummation of a Change in Control.

(d) **CERTAIN DEFINED TERMS.** As used in this Agreement:

(i) "Affiliate" means, with respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

(ii) "Change in Control" means:

(A) a change in ownership or control of the Company effected through a transaction or series of transactions (other than an offering of Stock to the general public through a registration statement filed with the U.S. Securities and Exchange Commission or similar non-U.S. regulatory agency or pursuant to a Non-Control Transaction) whereby any "person" (as defined in Section 3(a)(9) of the Exchange Act) or any two or more persons deemed to be one "person" (as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than the Company or any of its Affiliates, an employee benefit plan sponsored or maintained by the Company or any of its Affiliates (or its related trust), or any underwriter temporarily holding securities pursuant to an offering of such securities, directly or indirectly acquire "beneficial ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company's securities eligible to vote in the election of the Board (the "Company Voting Securities");

(B) the date, within any consecutive twenty-four (24)-month period, upon which individuals who constitute the Board as of the Effective Date (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual who becomes a director whose election or nomination for election by the Company’s stockholders or appointment was approved by a vote of at least a majority of the directors then constituting the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such individual is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (including, but not limited to, a consent solicitation) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(C) the consummation of a merger, consolidation, share exchange, or similar form of corporate transaction involving the Company or any of its Affiliates that requires the approval of the Company’s stockholders (whether for such transaction, the issuance of securities in the transaction or otherwise) (a “Reorganization”), unless immediately following such Reorganization (i) more than fifty percent (50%) of the total voting power of (A) the corporation resulting from such Reorganization (the “Surviving Company”) or (B) if applicable, the ultimate parent corporation that has, directly or indirectly, beneficial ownership of one hundred percent (100%) of the voting securities of the Surviving Company (the “Parent Company”), is represented by Company Voting Securities that were outstanding immediately prior to such Reorganization (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among holders thereof immediately prior to such Reorganization, (ii) no person, other than an employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company (or its related trust), is or becomes the beneficial owner, directly or indirectly, of fifty percent (50%) or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Company, or if there is no Parent Company, the Surviving Company, and (iii) at least a majority of the members of the board of directors of the Parent Company, or if there is no Parent Company, the Surviving Company, following the consummation of such Reorganization are members of the Incumbent Board at the time of the Board’s approval of the execution of the initial agreement providing for such Reorganization (any Reorganization which satisfies all of the criteria specified in clauses (i), (ii), and (iii) above shall be a “Non-Control Transaction”); or

(D) the sale or disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any “person” (as defined in Section 3(a)(9) of the Exchange Act) or to any two or more persons deemed to be one “person” (as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) other than the Company’s Affiliates.

Notwithstanding the foregoing, (x) a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of fifty percent (50%) or more of the Company Voting Securities as a result of an acquisition of Company Voting Securities by the Company that reduces the number of Company Voting Securities outstanding; *provided* that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then be deemed to occur, and (y) with respect to the payment of any amount that constitutes a deferral of compensation subject to Section 409A of the Code payable upon a Change in Control, a Change in Control shall not be deemed to have occurred, unless the Change in Control constitutes a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company under Section 409A(a)(2)(A)(v) of the Code.

(iii) “Change in Control Period” means the three (3) month period prior to or the twelve (12) month period following a Change in Control.

(iv) “Person” means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, or other entity.

(v) “Restrictive Period” means the twelve (12) month period following the termination of Executive’s employment for any reason other than by the Company without Cause during the Change in Control Period or by the Executive for Good Reason during the Change in Control Period. In the event Executive’s employment is terminated by the Company without Cause during the Change in Control Period or by the Executive for Good Reason during the Change in Control Period, “Restrictive Period” means the twenty-four (24) month period following such termination of the Executive’s employment.

(e) **RESIGNATION OF ALL OTHER POSITIONS.** Upon any termination of Executive’s employment with the Company, Executive shall be deemed to have immediately resigned from the Board and any other position as an officer, director, or fiduciary of the Company, any Affiliate or other Company-related entity. Executive agrees to any action reasonably requested by the Company to effect his resignations from any such positions.

(f) **EXCLUSIVE REMEDY.** The amounts payable to Executive following termination of employment hereunder pursuant to Section 7 hereof shall be in full and complete satisfaction of Executive’s rights under this Agreement and (subject to Executive’s execution of a Release pursuant to Paragraph 8 below) any other claims that Executive may have in respect of Executive’s employment with the Company or any of its Affiliates, with the exception of any rights Executive may have pursuant to RSU and/or PSU Award Agreements and Plan Documents. Executive acknowledges that such amounts are fair and reasonable, and are Executive’s sole and exclusive remedy, in lieu of all other remedies at law or in equity, with respect to the termination of Executive’s employment hereunder or any breach of this Agreement, with the exception of any claim or rights Executive may have pursuant to the RSU and/or PSU Award Agreements and Plan Documents. Without limiting the foregoing, payments and benefits provided in this Section 7 shall be in lieu of any termination or severance payments or benefits for which Executive may be eligible

under any of the plans, policies or programs of the Company or under the Worker Adjustment Retraining Notification Act of 1988 or any similar state statute or regulation.

8. RELEASE. Any and all amounts payable and benefits provided pursuant to Sections 7(b) and 7(c) (other than the Accrued Benefits) shall only be payable if Executive delivers to the Company and does not revoke a general release of claims in favor of the Company in the form attached as Exhibit A hereto (the “Release”), subject to modifications as may be reasonably requested by the Company to address changes in applicable law relating to waivers of claims or relating to any other provisions included in Exhibit A, within sixty (60) days following Executive’s termination of employment.

9. RESTRICTIVE COVENANTS.

(a) NON-DISCLOSURE OF CONFIDENTIAL INFORMATION.

(i) During the course of Executive’s employment with the Company, Executive will have access to Confidential Information. For purposes of this Agreement, “Confidential Information” means all non-public, proprietary data, information, lists, ideas, concepts, discoveries, trade secrets, inventions (whether or not patentable or reduced to practice), innovations, improvements, know-how, developments, techniques, methods, processes, treatments, drawings, sketches, specifications, designs, plans, patterns, models, plans and strategies, and all other confidential or proprietary information or trade secrets in any form or medium (whether merely remembered or embodied in a tangible or intangible form or medium, including without limitation work product created by Executive in rendering services for the Company) whether now or hereafter existing, relating to or arising from the past, current or potential business, activities and/or operations of the Company or any of its Affiliates (or any of their respective predecessors, successors or permitted assigns), including, without limitation, any such information relating to or concerning finances, sales, marketing, advertising, transition and business plans or strategies, promotions, pricing, costs, personnel, customers, suppliers, distributors, vendors, partners and/or competitors, as well as prospective sales, personnel, customers, suppliers, distributors, vendors, partners and/or competitors; information from third parties that the Company agreed or is otherwise legally obligated to keep confidential; research and development information, engineering and technical information, software codes, and Inventions as defined below. Executive agrees that Executive shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of Executive’s assigned duties and for the benefit of the Company, either during the period of Executive’s employment or at any time thereafter, any Confidential Information or other confidential or proprietary information received from third parties subject to a duty on the Company’s and its Affiliates’ part to maintain the confidentiality of such information, and to use such information only for certain limited purposes strictly for the benefit of the Company or any of its Affiliates. Executive further agrees that the Company owns the Confidential Information and Executive has no rights, title, or interest in any of the Confidential Information.

(ii) Executive’s confidentiality and non-disclosure obligations under this Agreement shall continue: (A) with respect to trade secret information, for as long as such

information constitutes a trade secret under applicable law; and (B) with respect to Confidential Information that does not constitute a trade secret, for as long as such information remains confidential, and will not apply to information that becomes generally known to the public through no fault or action of Executive.

(iii) Executive will abide by the Company's policies protecting Confidential Information as well as information technology policies in all material respects, as such policies may exist from time to time. At the Company's request or upon termination of Executive's employment with the Company for any reason, Executive will immediately deliver to the Company any and all materials (including all copies and electronically stored data) containing any Confidential Information in Executive's possession, custody or control. Executive agrees that upon termination of employment, Executive (A) will allow the Company access to Executive's personal mobile phone and any other of Executive's personal devices which may contain any of the Company's Confidential Information and will cooperate with the Company in permanently transferring to the Company and deleting the Confidential Information from such devices, and (B) if requested by the Company, will provide the Company with a signed written statement disclosing whether Executive has returned to the Company all materials (including all copies and electronically stored data) containing any Confidential Information previously in Executive's possession, custody, or control.

(b) **NONCOMPETITION.** Executive acknowledges that (i) Executive performs services of a unique nature for the Company that are irreplaceable, and that Executive's performance of such services to a competing business will result in irreparable harm to the Company, (ii) Executive will have access to Confidential Information, which, if disclosed or utilized, would unfairly and inappropriately assist in competition against the Company or any of its subsidiaries, (iii) in the course of Executive's employment by a competitor, Executive would inevitably use or disclose such Confidential Information, (iv) the Company and its Affiliates have substantial relationships with their customers and Executive will have access to these customers, (v) Executive will receive specialized training from the Company and its Affiliates, and (vi) Executive will help develop goodwill for the Company and its Affiliates in the course of Executive's employment. Accordingly, during the Employment Term and for one (1) year thereafter, Executive agrees that Executive will not, directly or indirectly, own, manage, operate, control, be employed by (whether as an employee, consultant, independent contractor or otherwise, and whether or not for compensation) or render services to any person, firm, corporation or other entity, in whatever form, engaged in competition with the Company or any of its Affiliates or in any other material business in which the Company or any of its Affiliates is engaged on the date of termination or in which they have actively planned, on or prior to such date, to be engaged in on or after such date, in any locale of any country in which the Company conducts business or plans to conduct business, including, but not limited to, all states of the United States in which the Company or its Affiliates is conducting business or selling its products as of the date Executive's employment terminates. Restricted competitive businesses under this paragraph 9(b) includes (1) any person or entity engaged in a business that competes with the Company or any of its Affiliates operating in the industry in which Company is actively engaged at end of the Employment Term; (2) any person or entity that offers, sells, designs, manufactures, or provides any Competing Product and competes with the business of Company or any of its Affiliates operating in the industry in which Company is actively engaged at the end of the Employment Term; and/or (3) any

person or entity that plans to offer, sell or provide any Competing Product and is actively engaged in developing any Competing Product or starting a business to offer or sell any Competing Product. “Competing Product” means (x) any product or service that is similar to and competitive with any product or service that the Company is manufacturing, offering, selling, distributing, providing, designing, and/or developing during, and as of the end of, the Employment Term, and/or (y) any product or service that is similar to and competitive with any product or service that the Company is manufacturing, offering, selling, distributing, providing, designing, and/or developing during, and as of the end of, the Employment Term; including but not limited to with respect to aftermarket performance products, including but not limited to carburetors, fuel injection systems, exhausts, safety equipment, suspension, brakes, tuning, accessories, lighting, transmission, drivetrain, off- road products, and automotive racing products. Notwithstanding the foregoing, nothing herein shall prohibit Executive from being a passive owner of not more than two percent (2%) of the equity securities of a publicly traded corporation engaged in a business that is in competition with the Company or any of its Affiliates known to Executive at the end of the Employment Term, so long as Executive has no active participation in the business of such corporation. For purposes of this Agreement, “control” means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of any entity or person, whether through ownership of voting securities, contract or otherwise, and “controlled” and “controlling” shall have correlative meanings.

(c) NONSOLICITATION; NONINTERFERENCE.

(i) During the Employment Term and for one year thereafter, Executive agrees that Executive shall not, except in the furtherance of Executive’s duties hereunder, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity, (A) solicit, aid or induce any individual or entity that is, or was during the twelve-month period immediately prior to the termination of Executive’s employment for any reason, a customer of the Company or any of its Affiliates to purchase goods or services then sold by the Company or any of its Affiliates from another person, firm, corporation or other entity or assist or aid any other persons or entity in identifying or soliciting any such customer or (B) interfere, or aid or induce any other person or entity in interfering, with the relationship between the Company or any of its Affiliates and any of their respective vendors, or licensors.

(ii) During the Employment Term and Restrictive Period, Executive agrees that Executive shall not, except in the furtherance of Executive’s duties hereunder, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity, (A) solicit, aid or induce any employee of the Company or any of its Affiliates to leave such employment or to accept employment with any other person, firm, corporation or other entity unaffiliated with the Company or hire or retain any such employee, or take any action to materially assist or aid any other person, firm, corporation or other entity in identifying, hiring or soliciting any such employee, or (B) interfere, or aid or induce any other person or entity in interfering, with the relationship between the Company or any of its Affiliates known to Executive at the end of the Employment Term; provided, however, that this Section 9(c)(ii) shall not preclude Executive from (x) making generalized solicitations for employees of the Company through advertisements or search firms, (or hiring any such persons through such solicitation), provided that such solicitations are not

specifically targeted at any such employee of the Company, or (y) soliciting or hiring any former employee of the Company, whose employment with the Company was terminated by such party at least three (3) months prior to such solicitation or hiring and whose termination was not encouraged, solicited or induced by Executive.

(d) **PERMITTED USES OF TRADE SECRETS.** Misappropriation of a trade secret of the Company or any Affiliate in breach of this Agreement may subject Executive to liability under, among other laws, the Defend Trade Secrets Act of 2016 (the “DTSA”), entitle such parties to injunctive relief, and require Executive to pay compensatory damages, double damages, and attorneys’ fees. Notwithstanding any other provision of this Agreement, Executive hereby is notified in accordance with the DTSA that Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in each case solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Executive is further notified that if Executive files a lawsuit for retaliation by the Company or any Affiliate for reporting a suspected violation of law, Executive may disclose such entity’s trade secrets to Executive’s attorney and use the trade secret information in the court proceeding if Executive files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to court order.

(e) **CONFIDENTIAL DISCLOSURE TO GOVERNMENTAL AND QUASI-GOVERNMENTAL ENTITIES.** Nothing in this Agreement prohibits or restricts Executive from reporting possible violations of federal, state, or local law or regulation to, or discussing any such possible violations with, any governmental agency or entity or self-regulatory organization, including by initiating communications directly with, responding to any inquiry from, or providing testimony before any federal, state, or local regulatory authority or agency or self-regulatory organization, including without limitation the Securities and Exchange Commission, the Equal Employment Opportunity Commission, FINRA, and the Occupational Safety and Health Administration, or making any other disclosures that are protected by the whistleblower provisions of any federal, state, or local law or regulation.

(f) **INVENTIONS.**

(i) Executive acknowledges and agrees that all ideas, designs, methods, inventions, discoveries, improvements, developments, technology, works of authorship, and all work product of any kind or nature whatsoever, whether patentable or unpatentable, (A) that relate to the business, products, activities, research, or development of the Company or Executive’s work with the Company, made or conceived or developed by Executive, solely or jointly with others, during the Employment Term, or (B) that arise from any work that Executive performs in connection with the Company, either while performing Executive’s duties with the Company or on Executive’s own time, and all rights therein including without limitation in claims related thereto (all of the foregoing “Inventions”) shall belong exclusively to the Company (or its designee), whether or not patent applications are filed thereon. Executive hereby irrevocably conveys, transfers and assigns to the Company the Inventions and all intellectual property, proprietary, and other rights therein, including without limitation all rights in and to any patents, copyright

registrations, trademark registrations, or other forms of protection that may issue thereon in any and all countries, whether during or subsequent to the Employment Term, together with the right to file, in Executive's name or in the name of the Company (or its designee), applications for patents and other rights and registrations (the "Applications"). Executive will, at the Company's sole cost and expense and at any time during and subsequent to the Employment Term, make such applications, sign such papers, take all rightful oaths, and perform all acts as may be requested from time to time by the Company with respect to the Inventions including without limitation to the perfection, registration, maintenance, or enforcement of any rights therein. Executive will also execute assignments to the Company (or its designee) of the Applications, and give the Company and its attorneys all reasonable assistance (including the giving of testimony) to obtain the Inventions and all intellectual property, proprietary, and other rights therein for the Company's benefit, all without additional compensation to Executive from the Company, but entirely at the Company's expense. Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Executive's agent and attorney in fact, to act for and in Executive's behalf and stead to execute any documents and to do all other lawfully permitted acts in connection with the foregoing, if the Company is unable for any other reason to secure Executive's signature on any document for this purpose.

(ii) In addition, Executive acknowledges that the Inventions are and will be deemed "work made for hire", as such term is defined under the copyright laws of the United States, on behalf of the Company and Executive agrees that the Company will be the sole owner of the Inventions, and all underlying rights therein, in all media now known or hereinafter devised, throughout the universe and in perpetuity without any further obligations to Executive. If the Inventions, or any portion thereof, are not or are deemed not to be "works made for hire", Executive hereby irrevocably conveys, transfers and assigns to the Company, all rights, in all media now known or hereinafter devised, throughout the universe and in perpetuity, in and to the Inventions, including, without limitation, all of Executive's right, title and interest in the copyrights, trademarks, and other intellectual property and proprietary rights (and all renewals, revivals and extensions thereof) in or to the Inventions, including, without limitation, all rights of any kind or any nature now or hereafter recognized, including, without limitation, the unrestricted right to make modifications, adaptations and revisions to the Inventions, to exploit and allow others to exploit the Inventions and all rights to sue at law or in equity for any infringement, or other unauthorized use or conduct in derogation of the Inventions or any intellectual property or other proprietary rights therein, known or unknown, including without limitation prior to the date hereof, including, without limitation, the right to receive all proceeds and damages therefrom. In addition, Executive hereby waives any so-called "moral rights" with respect to the Inventions. To the extent that Executive has any rights in the results and proceeds of Executive's service to the Company that cannot be assigned in the manner described herein, Executive agrees to and hereby does unconditionally waive the enforcement of such rights. Executive hereby waives any and all currently existing and future monetary rights in and to the Inventions and all patents, copyright registrations, trademark registrations, and other forms of protection that may issue thereon, including, without limitation, any rights that would otherwise accrue to Executive's benefit by virtue of Executive being an employee of or other service provider to the Company. Nothing contained in this Section 9(f) or otherwise in this Agreement shall be construed to reduce

or limit the Company's right, title, or interest in any Inventions or any intellectual property, proprietary, or other rights therein so as to be less in any respect than the Company would have had in the absence of this Agreement.

(iii) This Section 9(f) does not apply to an invention for which no equipment, supplies, facility, or Confidential Information of Company was used and that was developed entirely on Executive's own time, unless (A) the invention relates (1) directly to the business of Company, or (2) to Company's actual or demonstrably anticipated research or development or (B) the invention results from any work performed by Executive for Company.

(iv) Executive shall not improperly use for the benefit of, bring to any premises of, divulge, disclose, communicate, reveal, transfer or provide access to, integrate into or use for or to create any Inventions, or share with the Company, any confidential, proprietary or non-public information or intellectual property relating to a former employer or other third party without the prior written permission of such third party and any other necessary rights. Executive represents and warrants that he does not possess or own any rights in or to any confidential, proprietary or non-public information or intellectual property related to the business of the Company. Executive shall comply with all relevant agreements, policies and guidelines of the Company regarding the protection of confidential information and intellectual property and potential conflicts of interest, provided the same are consistent with the terms of this Agreement and Executive's duties to the Company and its Affiliates. Executive acknowledges that the Company may amend any such policies and guidelines from time to time, and that Executive remains at all times bound by their most current version.

(g) **RETURN OF COMPANY PROPERTY.** On the date of Executive's termination of employment with the Company for any reason (or at any time prior thereto at the Company's request), Executive: (A) will as soon as reasonably practicable deliver to the Company all materials (including all copies and electronically stored data) containing any Confidential Information or other property belonging to the Company or any of its Affiliates in Executive's possession, custody, or control (including, but not limited to, any Company-provided access cards, keys, credit cards, desktop computers, laptops, USB drives, discs, external hard drives, tablets, cellular phones, or other equipment, or documents and property belonging to the Company); (B) will not retain any copies (hard copy or digitally-stored) of the Confidential Information; and (C) if requested by the Company, will provide the Company with a signed written statement disclosing whether Executive has returned to the Company all materials (including all copies and electronically stored data) containing any Confidential Information and property of the Company previously in Executive's possession, custody, or control.

(h) **REASONABLENESS OF COVENANTS.** In signing this Agreement, Executive gives the Company assurance that Executive has carefully read and considered all of the terms and conditions of this Agreement, including the restraints imposed under this Section 9. Executive agrees that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates and their trade secrets and confidential information and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area, and that these restraints, individually or in the aggregate, will not prevent Executive from obtaining

other suitable employment during the period in which Executive is bound by the restraints. Executive agrees that, before providing services, whether as an employee or consultant, to any entity during the period of time that Executive is subject to the constraints in Sections 9(b) and 9(c) hereof, Executive will provide a copy of this Agreement (including, without limitation, this Section 9) to such entity, and the Company shall be entitled to share a copy of this Agreement (including, without limitation, this Section 9) with such entity or any other entity to which Executive performs services. Executive acknowledges that each of these covenants has a unique, very substantial and immeasurable value to the Company and its Affiliates and that Executive has sufficient assets and skills to provide a livelihood while such covenants remain in force. Executive further covenants that Executive will not challenge the reasonableness or enforceability of any of the covenants set forth in this Section 9. It is also agreed that each of the Company's Affiliates will have the right to enforce all of Executive's obligations to that Affiliate under this Agreement and shall be third party beneficiaries hereunder, including without limitation pursuant to this Section 9. In the event an action is filed to enforce the covenants set forth in this Section 9, then the prevailing party or parties in such action shall be entitled to an award of its costs, including attorneys' fees, from the party or parties not prevailing.

(i) **REFORMATION.** If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 9 is excessive in duration or scope or is unreasonable or unenforceable under applicable law, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the laws of that state.

(j) **TOLLING.** In the event of any violation of the provisions of this Section 9, Executive acknowledges and agrees that the post-termination restrictions contained in this Section 9 shall be extended by a period of time equal to the period of such violation, it being the intention of the parties hereto that the running of the applicable post-termination restriction period shall be tolled during any period of such violation.

(k) **SURVIVAL OF PROVISIONS.** The obligations contained in Sections 9 and 10 hereof shall survive the termination of the Employment Term, the non-renewal of this Agreement and Executive's employment with the Company and shall be fully enforceable thereafter.

10. COOPERATION. Upon the receipt of reasonable notice from the Company (including outside counsel), Executive agrees that while employed by the Company and thereafter, Executive will utilize his best efforts, in good faith and in the best interest of Company, respond and provide information with regard to matters in which Executive has knowledge as a result of Executive's employment with the Company, and will provide reasonable assistance to the Company, its Affiliates and their respective representatives in defense of any claims that may be made against the Company or its Affiliates, and will assist the Company and its Affiliates in the prosecution of any claims that may be made by the Company or its Affiliates, to the extent that such claims may relate to the period of Executive's employment with the Company (collectively, the "Claims"), all at the Company's sole cost and expense. Executive agrees to promptly inform the Board if Executive becomes aware of any lawsuits involving Claims that may be filed or threatened against the Company or its Affiliates. Executive also agrees to promptly inform the Board (to the extent that Executive is legally permitted to do so) if Executive is asked to assist in any investigation of the Company or its Affiliates (or their actions) or another party attempts to

obtain information or documents from Executive (other than in connection with any litigation or other proceeding in which Executive is a party-in-opposition) with respect to matters Executive believes in good faith to relate to any investigation of the Company or its Affiliates, in each case, regardless of whether a lawsuit or other proceeding has then been filed against the Company or its Affiliates with respect to such investigation, and shall not do so unless legally required. During the pendency of any litigation or other proceeding involving Claims, Executive shall not communicate with anyone (other than Executive's attorneys and tax and/or financial advisors and except to the extent that Executive determines in good faith is necessary in connection with the performance of Executive's duties hereunder) with respect to the facts or subject matter of any pending or potential litigation or regulatory or administrative proceeding involving the Company or any of its Affiliates without giving prior written notice to the Board or the Company's counsel.

11. EQUITABLE RELIEF AND OTHER REMEDIES. Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 9 hereof would be inadequate and, in recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available. In the event that a legal action is filed and a judgment entered ruling that Executive has violated Section 9 hereof, any severance or other benefits being paid or provided to Executive and/or Executive's dependents pursuant to this Agreement or otherwise shall immediately cease, and any severance previously paid to Executive shall be immediately repaid to the Company upon the Company making written demand on the Executive for such payment; provided, however, that the Executive will, in any event, be entitled to receive or retain Five Hundred Dollars (\$500.00) of the severance. The Company and Executive acknowledge and agree that such forfeiture and claw back are in addition to, and not in lieu of, any and all other legal and/or equitable remedies that may be available to the Company in connection with the Executive's breach of any covenant or provision set forth in this Agreement.

12. SUCCESSORS AND ASSIGNS. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective heirs, executors and administrators, successors and assigns, except that the rights and obligations of Executive hereunder are personal and may not be assigned without the Company's prior written consent. In addition, the Company may assign this Agreement and its rights and obligations to any successor to all of substantially all of the business and/or assets of the Company, provided that the Company shall require such successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company and any assignee set forth above or successor to its business and/or assets, which assumes and agrees to perform the duties and obligations of the Company under this Agreement by operation of law or otherwise.

13. NOTICE. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of delivery, if delivered by hand, (b) on the date of transmission, if delivered by confirmed mail or electronic mail, (c) on the first business day following the date of deposit, if delivered by guaranteed overnight delivery service, or (d) on the fourth business day following the date delivered or mailed by United States registered or certified mail, return receipt requested,

postage prepaid, addressed, if to Executive at the address (or to the email address) shown in the books and records of the Company, and if to the Company, to the Board Chair or Executive Chair, the Chair of the Board's Audit Committee, and the Company's General Counsel or Chief Legal Officer, at the Company's principal executive office, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

14. INSURANCE. Executive will be covered by the Company's director and officer insurance policy to the same extent as all other senior executive officers of the Company. Subsequent to the cessation of Executive's employment with the Company, the Company shall ensure that the insurance coverage is continued with respect to any claims made against the Executive with respect to acts or omissions during the time Executive was employed by the Company.

15. SECTION HEADINGS; INCONSISTENCY; CONSTRUCTION. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement. In the event of any inconsistency between the terms of this Agreement and any policy of the Company, the terms of this Agreement shall govern and control. This Agreement is the result of negotiations between the parties, and no party shall be deemed the drafter of this Agreement. The language of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against either party.

16. SEVERABILITY. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof

17. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument. Signatures transmitted by facsimile or other electronic means (including, without limitation, DocuSign, pdf format, or any electronic signature complying with the U.S. ESIGN Act of 2000) are acceptable the same as original signatures for execution of this Agreement.

18. GOVERNING LAW; JURISDICTION. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky without giving effect to any choice-of-law rule or conflict-of-law principle that would cause the application of the laws of any jurisdiction other than Kentucky. Each of the parties agrees that any dispute between the parties arising out of or relating to this Agreement, Executive's employment with the Company or any of its Affiliates shall be resolved exclusively a state or federal court having appropriate subject matter jurisdiction located in, or whose judicial district encompasses or serves, Warren County, Kentucky and the appellate courts having jurisdiction of appeals from such courts. In that context, and without limiting the generality of the foregoing, each of the parties hereto irrevocably and unconditionally (a) submits in any proceeding relating to this Agreement or Executive's employment by the Company or any Affiliate, or for the recognition and enforcement of any judgment in respect thereof (a "Proceeding"), to the exclusive jurisdiction of the courts located in,

or whose judicial district encompasses or serves, Warren County, Kentucky and the appellate courts having jurisdiction of appeals from such courts, and agrees that all claims in respect of any such Proceeding shall be heard and determined in a state or federal court having appropriate subject matter jurisdiction located in, or whose judicial district encompasses or serves, Warren County, Kentucky and the appellate courts having jurisdiction of appeals from such courts, (b) consents that any such Proceeding may and shall be brought in such courts and waives any objection that Executive or the Company may now or thereafter have to the venue or personal jurisdiction of any such Proceeding in any such court or that such Proceeding was brought in an inconvenient court and agrees not to plead or claim the same, (c) WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR EXECUTIVE'S EMPLOYMENT BY THE COMPANY OR ANY AFFILIATE OF THE COMPANY, OR EXECUTIVE'S OR THE COMPANY'S PERFORMANCE UNDER, OR THE ENFORCEMENT OF, THIS AGREEMENT, (d) agrees that service of process in any such Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at Executive's or the Company's address as provided in Section 13 hereof, and (e) agrees that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the laws of the State of Kentucky.

19. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer or director as may be designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement together with all exhibits hereto sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes any and all prior agreements or understandings (including, without limitation, the offer letter dated April 26, 2023 (the "Former Agreement") and the Company and its Affiliates shall have no liability with respect to the Former Agreement) between Executive and the Company and its Affiliates with respect to the subject matter hereof; provided that in the event that Executive becomes a party to any other agreement providing for restrictive covenants similar to Section 9, such agreement shall also apply pursuant to its terms. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

20. REPRESENTATIONS.

(a) Executive represents and warrants to the Company that (a) Executive has the legal right to enter into this Agreement and to perform all of the obligations on Executive's part to be performed hereunder in accordance with its terms, (b) Executive is not a party to any agreement or understanding, written or oral, and is not subject to any restriction, which, in either case, could prevent Executive from entering into this Agreement or impede Executive from performing all of Executive's duties and obligations hereunder, and (c) Executive has not provided and will not provide to the Company, and will not use or disclose during the performance of Executive's

services for the Company, any third party's documents, materials, or information subject to any legally enforceable restrictions or obligations as to confidentiality or secrecy.

(b) Upon Executive's start date, Executive shall execute and be subject to the Company's Indemnification Agreement entered into between Holley Inc. and its officers and directors.

21. TAX MATTERS.

(a) WITHHOLDING. The Company may withhold from any and all amounts payable under this Agreement or otherwise such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation. In the event that the Company fails to withhold any taxes required to be withheld by applicable law or regulation, Executive agrees to indemnify the Company for any amount paid with respect to any such taxes, together with any interest, penalty and/or expense related thereto.

(b) SECTION 409A COMPLIANCE.

(i) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A.

(ii) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." Notwithstanding anything to the contrary in this Agreement, if Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall not be made or provided until the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of Executive, and (B) the date of Executive's death, to the extent required under Code Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this Section 20(b)(ii) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(iii) To the extent that reimbursements or other in-kind benefits under this Agreement constitute “nonqualified deferred compensation” for purposes of Code Section 409A, (A) all such expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive, (B) any right to such reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(iv) For purposes of Code Section 409A, Executive’s right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

(v) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes “nonqualified deferred compensation” for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

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IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

COMPANY:

HOLLEY INC.

By: /s/ Matthew E. Rubel
Name: Matthew Rubel
Title: Executive Chairman
Holley Inc

[Signature Page to Employment Agreement (Holly Inc. and Matthew Stevenson)]

EXECUTIVE:

/s/Matthew J. Stevenson
Matthew Stevenson

[Signature Page to Employment Agreement (Holly Inc. and Matthew Stevenson)]

EXHIBIT A

Form of Release

See attached.

GENERAL RELEASE

I, Matthew Stevenson, on behalf of myself and my heirs, successors and assigns, in consideration of the performance by Holley Inc. (“Employer”), of its material obligations under the Employment Agreement (the “Agreement”), do hereby release and forever discharge as of the date hereof Employer (together with its Subsidiaries, the “Company”), their respective Affiliates, each such Person’s respective successors and assigns and each of the foregoing Persons’ respective present and former directors, officers, partners, stockholders, members, managers, agents, representatives, employees (and each such Person’s respective successors and assigns) (collectively, the “Released Parties”) to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under [INSERT APPLICABLE SECTION] of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in [INSERT SPECIFIC SECTION] of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release.

2. I knowingly and voluntarily release and forever discharge the Company and the other Released Parties from any and all claims, controversies, actions, causes of action, crossclaims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys’ fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date of this General Release), whether under the laws of the United States or another jurisdiction and whether known or unknown, suspected or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, have or may have, including, but not limited to, which arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, or defamation; or any claim for costs, fees, or other expenses, including attorneys’ fees incurred in these matters) (all of the foregoing collectively referred to herein as the “Claims”); provided, however, that nothing contained in this General Release shall apply to, or release the Company from, any obligation of the Company (i) contained in the Agreement to be performed after the date hereof; (ii) with respect to Accrued Benefits (as defined in the Agreement); or (iii) with respect to Performance and/or Restricted Stock Units (PSUs and/or RSUs) (as defined in the Agreement).

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I covenant that I shall not directly or indirectly, commence, maintain or prosecute or sue any of the Released Parties either affirmatively or by way of cross-complaint, indemnity claim, defense or counterclaim or in any other manner or at all on any Claim covered by this General Release. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

8. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the National Association of Securities Dealers, Inc. (NASD), any other self-regulatory organization or governmental entity.

9. Without limitation of any provision of the Agreement, I hereby expressly re-affirm my obligations under Sections 9 and 10 of the Agreement.

10. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

11. Notwithstanding anything to the contrary, nothing herein or in any Company policy or agreement shall prevent me from (i) speaking with law enforcement, the Equal Employment Opportunity Commission, any state or local division of human rights or fair employment agency, or my attorney; (ii) filing a charge or complaint with, participating in an investigation or proceeding conducted by, or reporting possible violations of law or regulation to any federal, state or local government agency; (iii) truthfully responding to or complying with a subpoena, court order, or other legal process; (iv) filing or disclosing any facts necessary to receive unemployment insurance, Medicaid, or other public benefits to which I may be entitled; or (v) exercising any right I may have under applicable labor laws to engage in protected concerted activity with other employees; provided however, that I agree to forgo any monetary benefit from the filing of a charge or complaint with a government agency except pursuant to a whistleblower program or where my right to receive such a monetary benefit is otherwise not waivable by law.

12. For purposes of this General Release, the following terms have the following meanings:

“Affiliate” means, with respect to any Person, any Person that controls, is controlled by or is under common control with such Person or an Affiliate of such Person.

“Person” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, investment fund, any other business entity and a governmental entity or any department, agency or political subdivision thereof.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

- (a) I HAVE READ IT CAREFULLY;
- (b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;
- (c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;
- (d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY (VIA THIS GENERAL RELEASE) BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;
- (e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS GENERAL RELEASE SUBSTANTIALLY IN ITS FINAL FORM TO CONSIDER IT AND THE CHANGES MADE SINCE THE LATEST VERSION OF THIS GENERAL RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;
- (f) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS GENERAL RELEASE TO REVOKE IT AND THAT THIS GENERAL RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE EIGHTH DAY FOLLOWING EXECUTION OF THIS GENERAL RELEASE;
- (g) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
- (h) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: May 13th, 2023

/s/ Matthew J. Stevenson
Matthew Stevenson

CERTIFICATIONS

I, Matthew Stevenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Holley Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Matthew Stevenson

Matthew Stevenson

President and Chief Executive Officer

August 10, 2023

CERTIFICATIONS

I, Jesse Weaver, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Holley Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jesse Weaver

Jesse Weaver
Chief Financial Officer

August 10, 2023

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report on Form 10-Q of Holley Inc. (the "Company") for the quarter ended July 2, 2023, as filed with the Securities and Exchange Commission (the "Report"), Matthew Stevenson, President and Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew Stevenson

Matthew Stevenson
President and Chief Executive Officer

August 10, 2023

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report on Form 10-Q of Holley Inc. (the "Company") for the quarter ended July 2, 2023, as filed with the Securities and Exchange Commission (the "Report"), Jesse Weaver, Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jesse Weaver

Jesse Weaver
Chief Financial Officer

August 10, 2023

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.